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ABSTRACT

This booklet examines Japan's unparalleled economic achievements and its growing political prominence. Reflecting upon Japan's economic, political, and societal dynamism, the document offers helpful insights into how this nation, nearly devoid of natural resources but blessed with a self-sacrificing, highly skilled, and dedicated work force, has adjusted to changing world economic conditions with extraordinary skill. The document emphasizes that Japan's foreign policies are rooted in pro-Western and economically based domestic considerations. Japan is also portrayed as increasingly activist in the international arena. The first three chapters introduce Japan, investigate its historical past, and examine change in Japanese society. Chapter 4 discusses Japanese politics from the perspective of creative conservatism. Chapter 5 examines Japan's economy and chapter 6 looks at Japan's role in the world. The document concludes with a "Talking It Over" section which includes discussion questions for individuals and groups. A suggested reading list is also offered. (RSL)

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FOREIGN POLICY ASSOCIATION

Headline Series

JAPAN

THE DILEMMAS OF SUCCESS

by T. J. Pempel

Foreword by
Michael J. Mansfield

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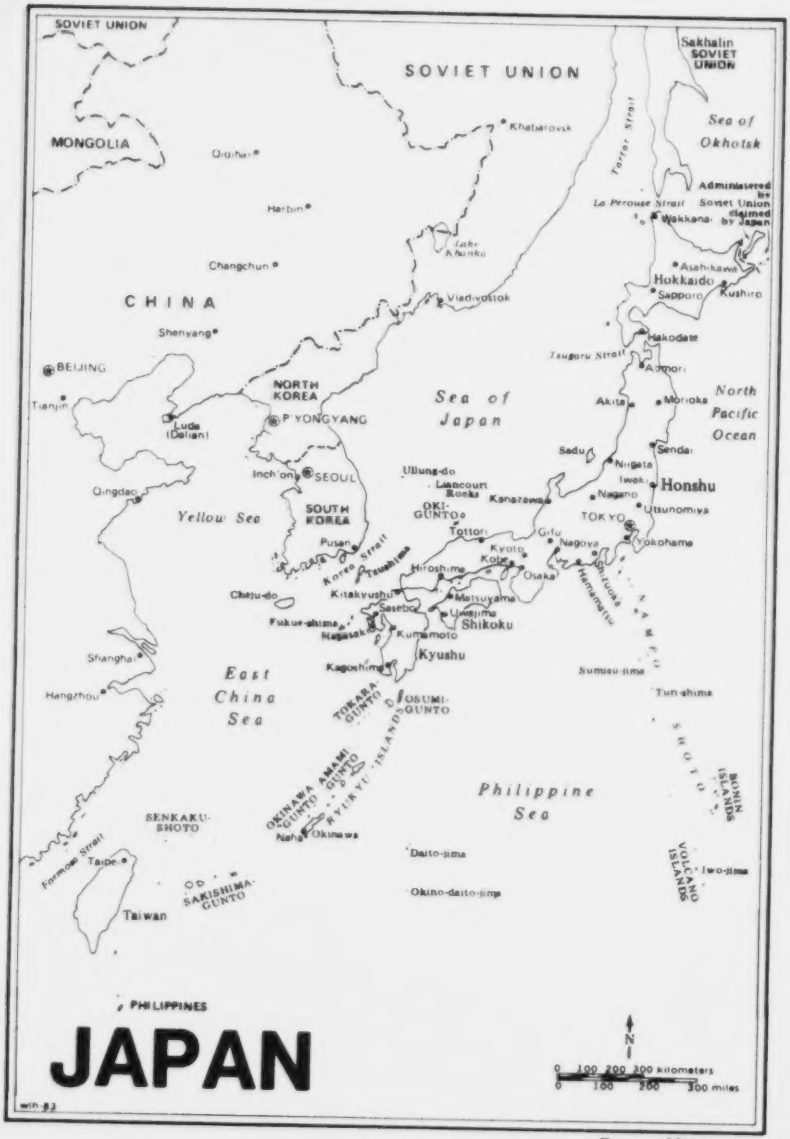
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THE DILEMMAS OF SUCCESS

by T. J. Pempel

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Foreword

by MICHAEL J. MANSFIELD,
U.S. Ambassador to Japan

No country—anywhere—is more important to the interests of the United States than Japan. And our relationship with Japan is now at a critical juncture as we both seek to find new methods of handling the pressing global issues facing us. Unfortunately, perhaps no major country is less well understood in the United States than Japan.

T. J. Pempel provides a cogent framework for examining Japan's unparalleled economic achievements and its growing political prominence. Reflecting upon Japan's economic, political and societal dynamism, he offers helpful insights into how this nation, nearly devoid of natural resources but blessed with a self-sacrificing, highly skilled and dedicated work force, has adjusted to changing world economic conditions with extraordinary skill. Dr. Pempel correctly points out that Japan's foreign policies are rooted in pro-Western and economically based domestic considerations, and accurately portrays the increasingly activist role taken by Japan in the international arena.

Having attained economic superpower status, secure within the Western alliance system, and undergoing rapid social change, the Japanese are groping for new goals and roles. Reminiscent of the 19th-century Meiji period, a sea change in attitudes is clearly under way. Although hesitant to alter a system that has brought so many benefits, many Japanese are beginning to question their "Export at any cost" ethic and cumbersome bureaucracy. Japan is cautiously seeking to extend its activities into new areas.

Over the past two decades, ambivalence toward Japan's close economic, political, and security ties with the West has largely evaporated. By the mid-1970s, the Japanese recognized that their country had simply become too important to stay on the sidelines. Public opinion polls show an overwhelming majority in favor of the U.S.-Japan security treaty and of maintaining a substantial, if limited, self-defense force. U.S.-Japan defense relations have, literally, never been better. Under Prime Minister Nakasone Yashuhiro* and Foreign Minister Abe Shintaro, Japan has greatly extended its diplomatic activity. Japan has tried to edge Iran and Iraq toward peace, proposed initiatives for settling the problems of Indochina, extended aid to key countries such as Pakistan, Turkey and Egypt, to Africa and now even to the Caribbean and Latin America, and has played a positive role in arms control issues.

Having joined the club of Western democracies, however, Japanese political, economic and intellectual leaders are not sure where to aim next. Although they are pleased to have their prime minister occupy a prominent place at the summits and other world conferences, they remain cautious and bound by the need to obtain a broad consensus at home before striking out in new directions. As Dr. Pempel points out, a new consensus will be slow to emerge. Entrenched domestic economic, political and bureaucratic interests are buttressed by the innate cautiousness of the Japanese people and their reluctance to change a winning formula. However, Japan throughout its history has shown remarkable resilience in adapting to changing circumstances. It is increasingly apparent that Japanese leaders believe changes are needed.

The United States and Japan are today partners in an intricate and complicated relationship. It is of vital importance that the policymakers and opinion leaders understand the reasons for the steps taken to advance that relationship. Dr. Pempel has made a valuable contribution to this understanding.

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*Japanese personal names are presented in the Japanese style, i.e., surname first.

1

Introducing Japan

How is one to understand Japan as the 20th century draws to a close? Far more Westerners seem to feel that they have an answer to this question today than was the case a decade or two ago. Yet most of them differ on the answers. As recently as the 1960s, Westerners typically looked at Japan as a country with a rich cultural past but a rather unexciting present. What was of interest about Japan was the literature of Genji, Noh drama, Kabuki theater and haiku poetry; the art of Hiroshige prints and Imari pottery; the complex interweaving of the religious traditions of Confucianism, Buddhism and Shinto; the martial and spiritual arts of judo, kendo, flower arrangement, tea ceremony and origami.

To the extent that contemporary Japan generated interest it was largely in terms of the cultural residues of exotica and erotica left over from its past. The novels of Mishima and Tanizaki, the

The publication of this issue of the HEADLINE SERIES *was made possible by a grant from the United States-Japan Foundation.*

films of Kurosawa and Ozu, contemplation in a Zen monastery, even jazz played with a traditional Japanese flute, all represented attractions to Westerners that drew heavily on Japan's exotic Oriental past. The concern with the exotic was matched only by fascination with the erotic. Do geisha do more for their clients than dance? Could ancient Japanese medicines really improve male potency? Do Japanese women make better wives than their Western counterparts, as many returning American servicemen claimed? Where, in the era before the introduction of the hot tub into California, could one go for mixed bathing?

Outside of such subjects, contemporary Japan held little interest. Its politics seemed marked by colorless parliamentary debates matched only by the drabness of most of the nation's political leaders. The behind-the-scenes machinations in the bars and teahouses of the Ginza seemed the heart of its real politics, but these were impenetrable to the foreign observer.

On the international scene the nation was hardly a mover and shaker. Bases in Okinawa, Yokohama, Atsugi and Tachikawa were vital links in the American defense perimeter. The anticommunism of Japanese leaders could be counted on as automatic in international forums such as the United Nations and in restricting political, if not economic, ties to China and the Soviet Union. But when the roll was called of the countries shaping international politics, Japan's name could conveniently be left off the list.

Its economy was of some interest for the rapid improvements in gross national product (GNP); its clever, tiny radios, and the quality of some of its cameras were as good as or better than those from Germany. Its consumers were easily pleased with the duty-free presents their Western friends would bring with them on visits, such as Johnny Walker scotch, Marlboro cigarettes and Hawaiian pineapples.

What was "modern" in Japanese society in the 1950s and 1960s was interesting largely in its infinite capacity to bore the outside observer. The country's rural residents toiled long, hard and meticulously in their tiny rice paddies. Urbanites lived in miniscule, unheated, drably decorated and unaesthetic apartment

buildings hours from the equally drab and architecturally boring office buildings in which they worked 60 or 70 hours per week. Henry Ford once announced that buyers of his Model T could get their cars in any color they wanted, so long as it was black. Japanese clothing seemed similarly monochromatic. Men's suits were uniformly gray or blue; their shirts identically white. Women in turn wore clothing that appeared to draw its primary inspiration from either medieval European penitents or the Soviet Union before Raisa Gorbachev.

The caricatured quality of the above portrait should not blind one to its central truth: most Westerners saw modern Japan as relatively insignificant and tediously predictable. Perhaps the best single manifestation of this disdain came from the imperious French President Charles de Gaulle. When then Japanese Finance Minister, and subsequently Prime Minister, Ikeda Hayato sought an interview with the general, de Gaulle refused announcing, "I have better things to do with my time than to meet with transistor salesmen."

All of this changed radically in the next 10 to 15 years. If the main things about Japan that interested Westerners were once its rich cultural and humanistic past, the country now attracts more attention for its economic, political and societal dynamism. At the heart of this new fascination is, of course, Japan's phenomenal economic performance. Throughout the 1950s and 1960s, Japan's GNP grew at a rate of nearly 11 percent per year. That was impressive but less so than the fact that after the economic slowdown that followed revision of the Bretton Woods financial system in 1971 and the quadrupling of oil prices by the Organization of Petroleum Exporting Countries (OPEC) in 1973, Japan's GNP continued to grow at a rate twice that of North America or Western Europe. Moreover, it has done so without the high levels of inflation and unemployment that have plagued most other industrialized countries.

As the exports of the United States, Canada and Western Europe struggle to maintain world market shares, high-quality Japanese manufactured products stream into their home markets with serious negative effects on politicians, business leaders and

workers. As the United States has become self-absorbed with its alleged "deindustrialization," as it has attempted to cope with the largest budget deficit in the world's history, and as it has become, in a matter of months, a bigger debtor nation than Mexico, Brazil or Argentina, Japan in turn has become its primary foreign supplier of both goods and investment capital. Certainly the economic performance of Japan demands explanation.

On the political front, Japan has suddenly begun to attract attention as well. The role of the Japanese government in purportedly guiding and shaping this economic colossus has led many to call for comparable government guidance in their own countries. Moreover, while other industrialized countries typically employ 14-20 percent or so of their national work force in the public sector and their government budgets run to 35-50 percent of GNP, Japan seems to be doing nicely with figures about half these levels.

Socially, Japan attracts world attention and admiration in areas from crime prevention to education to high fashion to management styles to transportation and numerous other fields. As one wag recently observed, if the Japanese suddenly began wearing roses in their lapels, the process would undoubtedly attract fascinated imitators and a Ph.D. thesis or two.

To give structure and coherence to any study of a complex and rapidly changing country such as Japan, it is essential to highlight those elements that seem most to give it definition while leaving other features, considered less important, in darkness. A framework or skeleton is essential to give shape and coherence to the mountains of fleshy detail.

Four Paradoxes

To understand Japan in the mid-1980s it might be helpful to consider four paradoxes. At the social level, Japan is a country that has undergone far more rapid and substantial changes than perhaps any other in the industrialized world. Yet to many observers, and certainly to most Japanese, there seems to be a core of "Japaneseness" that stands unaffected. Or, in the famous phrase, the more things change, the more they remain the same.

Photo by Sheila Phalon.

How can one grasp this changing and unchanging phenomenon?

A second paradox lies in the area of politics. For nearly the past 40 years, Japan has been governed by conservatives. Since 1955, the government has been headed by a single party, the Liberal Democratic party (LDP). No other country in today's industrialized world has had such a long era of uninterrupted conservative rule. This in itself is worth examination, but the real paradox lies in the fact that the party has remained in power through free elections despite several major financial scandals that have touched Japan's highest officials, at least on a par with America's Watergate, which led to the resignation of President Richard M. Nixon; despite low levels of popular respect for the LDP as a party and for its leaders as individuals; and despite numerous social problems that have forced the party to act against the wishes of its major supporters.

The most striking anomaly in the sphere of economics may be that Japan's economic success during the 1950s and 1960s owed a great deal to protection of infant industries, the importation of foreign technologies, and government intervention in the market.

Yet in the 1980s most major government and business leaders in Japan are pressing for economic policies the very opposite of those that succeeded in the past. Why tamper with what seems to have worked so well?

Finally, in Japan's relations with the outside world the most striking phenomenon is that Japan's political presence is far less evident than its economic presence. Japan's trade offices stretch around the world, buying and selling 24 hours a day. And, with the second largest GNP in the Western world, and with trade and capital investment policies that play a major role in international economics, Japan is continually being consulted, chided and challenged on international economic matters from quarters as diverse as Washington, Brussels, Jakarta and Abu Dhabi. Yet Japan plays almost no role outside its borders in the "high politics" of alliances, peacekeeping or political sanctions. Thus, for example, in 1978 Japan failed to gain the Asian seat on the UN Security Council which went instead to Bangladesh. Japan's fourth largest city, Nagoya, lost its bid to host the 1988 summer Olympics to Seoul, the capital of its far-less-developed neighbor, South Korea. Japan is criticized for rewriting its history books by China, a country hardly a paragon of free speech, and Japanese leaders trip over one another in their rush to the podium to apologize. How has Japan managed to gain so much economically without experiencing a comparable impact on its international standing?

It is on these four paradoxes, the dilemmas of Japan's success, that this HEADLINE SERIES will focus. Before trying to see where Japan is today, however, it is important to understand where it has been in the past and how that has helped shape the country's present.

2

The Legacy of the Past

The reading of history is inevitably selective and subjective. One looks back to find explanations for what one wants to say to illuminate the present. This is certainly true of approaches to the history of Japan. During World War II, for example, Japanese historians wrote of the uniquely mythical origins of the Japanese islands. They stressed the importance of Japan's having the world's longest imperial lineage, drew examples to show a uniquely Japanese spirit (*Yamato Damashii*) in its people, highlighted the glorious military past and the samurai ethic, and castigated the encroachment of the Western powers on Asia. Western historians of Japan at the same time, and after the war, told a different story, either a story showing the logic of expansion that led to the attack on Pearl Harbor, or else one showing how the actions of the 1930s and 1940s represented peculiar deviations from an earlier historical trajectory that had been moving the country toward liberalism at home and international fraternity abroad. Historians from the left of the spectrum, both in Japan and later in the West, extolled the virtues of the Japanese people in the face of continued oppression by despotic rulers and a

tyrannical upper class. With few exceptions, everyone's facts were acceptably correct; the differences lay in the selection and the weighing processes each chose. This summary is equally selective. Yet several themes stand out as worthy of emphasis and as important influences on the events that followed.

To throw light on certain dimensions of contemporary Japan it is helpful to treat three distinctive periods in Japan's past: the first 1,900 years or so of its preindustrial history; the period that begins with the opening by the West (1853) and the start of systematic modernization after the Meiji Restoration (1868) and that ends with Japan's defeat in World War II; and finally the period of the U.S. occupation of Japan (1945–52).

Japan's Preindustrial Past

Japanese mythology treats the country's islands as the creation of the sun goddess, Amaterasu Ōmikami, in the year 660 B.C. From then until the middle of the 19th century the country traversed a rich and fascinating history. Until the 6th century Japan was in its Familial Age, a period marked by the beginnings of the emperor system, the early institutionalization of the Shinto religion, some early artwork, the development of wet-rice agriculture, and a clear division of power between rulers and ruled.

Japan's Aristocratic Age, the Nara and Heian periods, stretched over more than five subsequent centuries (the 6th to the 11th). Chinese influence was at its height. Confucianism and Buddhism were introduced from the continent. So was Japan's writing system, which remains in use to this day. Poetry and literature flourished, as did feminine literary influence, the *Tale of Genji* and the *Pillow Book* being two of the many famous examples of Japanese literary masterworks penned by upper-class women. Political organization followed the Chinese model of a strong central bureaucracy and systematic laws. Power rested in control of the land and was passed patrilinearly within families. In a move that was to separate the imperial family from the exercise of real power until 1868, the emperor relinquished day-to-day rule to the Fujiwara family in the 8th century. The samurai, or warrior, class that was to dominate the country in

war and peace for the next several hundred years also developed during this time.

Japan was marked by a period of decentralized feudalism from the 12th until the 16th centuries. The aristocracy and the imperial court retained social power, while political and military power devolved to the samurai class. These warriors pledged their loyalty to, and performed military and civilian service for, high-ranking lords who controlled large tracts of land. In exchange they received plots of land, protection and sometimes regular payments in rice. Warfare was almost constant throughout the land. Anyone who has seen Kurosawa Akira's movie *The Seven Samurai* was treated to a three-hour depiction of this era. Foreign influence took two forms during this period. In 1274 and 1281, the Mongols unsuccessfully attempted to invade Japan from the Asian mainland. The second time their ships were turned back or sunk as a result of storms that Japanese referred to as the "divine wind" (*kamikaze*), a legacy that was to return in World War II. The second major foreign influence came near the very end of the period and was a partial backdrop to the novel *Shogun*, namely the coming of Europeans, particularly European missionaries.

From 1568 until 1615, a major military struggle took place among Japan's leading warlords. Three successive leaders, Oda Nobunaga, Toyotomi Hideyoshi and Tokugawa Ieyasu, managed to exert increasingly centralized control over feudal Japan. In 1603 Tokugawa assumed the title of shogun (literally, generalissimo or supreme military leader), an ancient title which had been out of use for centuries. By 1615, at the Battle of Osaka Castle, Tokugawa managed to consolidate complete military control over the nation. From then until 1868, Japan underwent a period of centralized feudalism. The land was divided into some 250 fiefs, each headed by an individual lord (*daimyo*) and administered by his loyal samurai vassals. But from the capital city of Edo (later Tokyo), the shogun exercised strict control over local behavior through spies, restrictions on travel, a system of enforced residence by the daimyo or his family in Edo, as well as limitations on marriages among feudal families, limits on con-

struction and a host of other devices. Meanwhile, the emperor and his court exercised nominal control from the ancient capital of Kyoto. Successive shoguns paid their ceremonial obeisances to the emperor, but the castle of the Mikado was far removed geographically and practically from the hurly-burly of power politics. This remained true until the coming of the West in the 1850s.

Four social classes emerged during this Tokugawa period, with rather strict lines separating them. At the top, representing 6-7 percent of the population, were the samurai, who, practically speaking, ran the gamut of wealth from inordinate to dirt-poor farmer. Below them in the pecking order were the peasants who formed 86-87 percent of the population. Artisans represented a third major class, while at the bottom of the hierarchy were the merchants. Together artisans and merchants, or townspeople (*chonin*), constituted the remaining 6 percent of Japan's populace. Wealth was originally concentrated in the hands of the samurai class, but by the middle of the 19th century, much of it had passed into the hands of the chonin.

Shortly after taking political control, the shogun also forced out most Westerners, whom he saw as disruptive of social harmony and shogunate control, and banned Christianity within the country. From then until 1853, Japan was cut off from virtually all Western contacts, the only serious exception being a small island near Nagasaki left open to Dutch traders. (The traders had to prove their religious acceptability by stepping on a crucifix as they left their ships to barter.) Under the political and social systems of this Tokugawa period, the country was blessed with nearly 250 years of internal peace.

When Japan began its modernization in the middle of the 19th century, the Tokugawa period had left it with a complex but largely favorable legacy available to few other countries that began to modernize at that time or later. The country had a clear sense of unity, linguistically, ethnically and geographically. This formed a solid basis for a sense of nationhood. There was also a history of centralized government able to tax and to exert control. A trained bureaucracy had developed in the capital and in the individual fiefs. Some 40 percent of the male population was

literate. A skeletal road system provided the basis for a national market. Money was in use and commercial agriculture and small industry had taken root. The emperor was at least a conveniently acceptable symbol of the nation's unity; his absence from the real politics of the country made him a suitably uncontroversial focus of national loyalty throughout the land.

The Meiji Restoration: Modernization and Expansion

In the mid-19th century, Japan had come to occupy a place on the world's commercial crossroads. Russia had consolidated its control over Siberia, and had developed shipping outposts in the Kurile Islands, north of Japan. The thin red line of Britain's empire was stretching from the Indian peninsula into China, as England traded Indian opium for Chinese tea and secured the port of Hong Kong in 1842. France had its imperial outposts in Southeast Asia, as did the Dutch in Indonesia. Through the Louisiana Purchase (1803), the Mexican War and the annexation of Texas (1845), the statehood of California (1850), the Gadsden Purchase (1854) and the purchase of Alaska (1867), the United States expanded rapidly beyond the confines of the original 13 colonies and began its inexorable march West. The development of the steamship, the whaling industry, and the desire for trade and religious conversion in Asia made the opening of Japan a logical next step. Thus President Millard Fillmore commissioned Commodore Matthew C. Perry in 1852 to sail his black ships into Tokyo and to force Japan to sign commercial treaties with the United States. Other countries quickly followed suit.

With the United States leading the way, a loud and collective rap from the West came at the long-closed door of Japan. Meanwhile, within the country, forces for change had already begun to well up. Economic changes gave merchants real, if not titular, influence over many aspects of political and economic affairs; many of the ruling local lords chafed under the stodgy Tokugawa rule; famine led to peasant unrest. With or without the West, the 250-year-old system had already begun to totter.

Following a decade of confusion and indecision on the part of the Tokugawa leadership, the old system finally gave way as a

coalition of several of the more discontented daimyo and their low-ranking samurai followers, with merchant financing and the blessings of the court in Kyoto, carried out a successful military battle against the Tokugawa regime. In 1868, a new political system was created under the nominal leadership of the 16-year-old emperor. Restored to the throne, the new Emperor Meiji provided a symbol of the link between legitimacy and real political power. From behind the throne, a small group of modernizing oligarchs began the changes that would quickly and vigorously propel Japan out of its feudal past and into the modern world.

The process of modernization was tortuous and rarely linear. The earliest years of Meiji were marked by extremes. Some groups advocated the violent expulsion of the Western barbarians and a return to the *ancien régime*. Others wholeheartedly embraced the West, resulting in bizarre anomalies such as outfits that combined watch fob, top hat, kimono and cane. Buddhists were urged to eat meat; adoption of the English language, Christianity and even intermarriage with Europeans were advocated as vital steps if Japan was to become "truly modern." But once the initial confusion was over two slogans tended to summarize the major directions eventually taken. "Eastern morals, Western learning" symbolized the efforts to learn technologically, industrially and militarily from the West while at the same time retaining a core of Japaneseness in values and social organization. "Rich country, strong army" reflected the national desire to catch up with the West through economic modernization, trade and industrialization and to do so behind, and often as a result of, a strong military force that was not infrequently used against Japan's weaker neighbors.

An alternative way to conceive of the changes that took place is to see Japan as both in fear of the West and as simultaneously driven by the need to imitate it. This took many forms, including technological, economic, legal and cultural adaptation. It was also borne out in Japan's approach to international relations. In this era of imperialism, Japan's leaders viewed the world as divided into two kinds of countries, colonizers and those ripe for coloniza-

tion. Looking across the seas to neighboring China being carved up by the West, they sought to outdo themselves in proving their willingness to become Western. Only by joining the race to carve up China, they felt, could the country escape from the yoke of the unequal treaties it had signed and from the possible loss of national sovereignty.

As Japan's leaders saw it, the country also needed a strong and interventionist government to make up for its late efforts at development. Given the advanced cultural and administrative characteristics of Japanese society, however, they had a tremendous advantage in closing the political, military and economic gap that separated them from the Western nations.

Pace of Change Accelerates

Rapid, state-induced changes in all spheres marked Japan over the next several decades. The feudal system was eliminated and the samurai class was bought off. A tax system in cash provided a stable economic basis on which to govern. Mass education was introduced, and by the turn of the century 82 percent of Japan's youth were enrolled in primary schools, a higher percentage than that in many European countries at the time. A conscript army was created. The country adopted political and legal systems fashioned largely on those of Bismarck's Germany. Industrialization occurred under government direction in everything from shipping and communications to cement production, textile manufacture and silkworm cultivation.

The one area where Japan was rather slow to imitate the West was in overseas expansion. Concentrating primarily on domestic development and on the renegotiation of the unequal treaties provided work enough for Japan's leaders. In 1873, for example, the government split over whether or not to invade Korea; the opponents of invasion won the day. In 1875, a peaceful settlement was reached with Russia over Sakhalin island. Throughout the 1880s, Japan rejected several opportunities to aid Korean rebels unsympathetic to their pro-Chinese government. Once the treaty issue was resolved with the Western powers, however, Japan became more willing to use military force to advance its economic

and geographic interests. Japan's first involvement in a modern war took place with China over the Korean peninsula, a "dagger pointed at the heart of Japan," in the words of one French military adviser. A quick military victory by Japan, combined with a settlement of gold plus Chinese territory, including the Pescadores Islands, Taiwan and a port on China's mainland, seemed destined to help Japan become part of the "imperialist club." Western reaction was far less positive than the Japanese might have anticipated, however. France, Russia and Germany combined in what has come to be known in Japan as the Triple Intervention They threatened war with Japan unless it returned the mainland territory to China. Unable to withstand this three-nation combination, Japan conceded.

Two major lessons emerged for the humiliated victor. First, despite its civilian reforms and its military prowess, Japan was still not accepted as an equal by the West. Second, it realized that if it was to play an imperial role, it needed a Western ally. This ally was forthcoming in Britain, which in 1902 signed an alliance with Japan that strengthened the naval capacities of both. Japan quickly followed with a war against Russia over control of Korea and won a stunning naval victory. The resulting settlement left Japan with freedom of action in Korea, a portion of the Chinese mainland and one half of Sakhalin; the Russians pulled back their troops in Manchuria.

From 1905 on Japan was constantly engaged in military activities on the mainland of Asia. In 1910 it formally annexed Korea which it had occupied since 1905. Subsequently it expanded into Manchuria and intervened repeatedly in the Chinese civil war. During World War I it attacked German possessions in the Pacific and eventually gained control over most. The Paris Peace Conference of 1919, however, once again reinforced Japan's sense of international inequality, as the United States, Australia and Britain combined to defeat a Japanese proposal for a statement of racial equality in international relations.

Japan's alliance with Britain, which had been so important to its imperial successes in the first two decades of the century, gave

way to a broader reliance on the League of Nations and the multinational agreements reached at the Washington disarmament conference (1921–22).

For the most part these new arrangements allowed Japan and the other major powers to reduce drastically their military spending, to concentrate on expanding international trade and to enjoy the general economic benefits that resulted from the era of peace and prosperity that ensued. By the end of the decade, however, a number of factors combined to change Japan's willingness to rely on, and abide by, the principles of the new international system. The world depression, the breakdown of free trade and the rise of protectionism, much of it directed specifically against Japanese exports, all created an economic nightmare within Japan that left few groups untouched. Meanwhile, military leaders, worried about the rising power of the Soviet Union in Asia plus the interminable civil war in China, became increasingly frustrated with low military budgets and what they saw as weak-kneed civilian leadership.

The Quest for Empire

The result was that in 1931 Japan's military carried out a takeover of Manchuria and eventually created a puppet state under Japanese oversight. The League of Nations condemned Japan's actions and called for an end to Japanese military control, leading Japan to be the first major nation to walk out of the league. From then on the military began to exert ever greater influence over Japan's domestic and foreign policies.

Convinced of the need to settle "the China problem" once and for all, Japan in 1937 began all-out war against China as the first step in its quest for a "Greater East Asia Co-Prosperity Sphere." At home, the country went on to total mobilization and the suppression of almost all political liberties.

Meanwhile, bereft of a major ally and facing the combined wrath of most of the democratic Western powers because of its growing involvement in China, Japan eventually entered into an alliance in 1940 with Hitler's Germany and Mussolini's Italy, as

well as a nonaggression pact in 1941 with the Soviet Union. Behind these new alliances, the Japanese military forces continued to press the war in China, and moved down to Southeast Asia, where they were poised to take control of Malaya and the Dutch East Indies. Japan's military moves were paralleled in both Europe and Africa by the victories of the German and Italian armies.

From the perspective of the United States, counteractions were necessary against what it saw as the three major aggressors in the world system. In the case of Japan, the United States cut off scrap metal and oil supplies, froze Japanese economic assets in the United States and made it clear that negotiations with Japan could take place only after Japan surrendered control of all territories gained from China, including Manchuria. Faced with this U.S. position, the Japanese cabinet concluded that it had no alternative but to go to war against the United States. In deciding to bomb Pearl Harbor, Japan believed, as Prime Minister Tojo Hideki later explained, that any delay in attacking would only worsen Japan's military position vis-à-vis the United States. Tojo and the cabinet also had the mistaken notion that, rather than go to war with Japan, the United States would revert to its earlier isolationism and would negotiate a peaceful division of power in the Pacific.

While Japan was expanding its empire abroad, the country's domestic politics were marked by oligarchic rule and relatively little systematic opposition. Discontented landlords had been the original dissidents pressing for a parliament in the 1880s. But by the turn of the century, pork-barrel benefits and a reduction in land taxes had won over their general support for most government actions.

Two conservative political parties with varying degrees of oligarchic support vied for power throughout most of the early 20th century, and during the 1920s several governments were actually formed by the political party which did best in the parliamentary elections.

It was not until the late 1920s and 1930s that such domestic political cohesion began to unravel. During that time, the growth

of organized labor and the initiation of Socialist and Communist parties, even though relatively miniscule in numbers, threatened consensus from the left. And on the right, nationalist societies and the military provided another radical alternative. It was the latter that prevailed by the end of the decade, and as the ideological axis shifted to the right, most of the established political forces followed suit. The left, meanwhile, faced jail or life underground.

On the economic front, although the early Meiji government had begun model factories in the 1870s, it rejected the principle of state ownership of most major enterprises and sold off its holdings to the private sector. Large family-dominated holding companies, called *zaibatsu*, came to dominate major segments of Japan's modern industry and to exert considerable influence over politics. But meanwhile a vastly greater proportion of the population continued to work the land as farmers, or else to work in small cottage industries, textile plants and the like. The overall combination proved exceptionally successful and Japan's economy, particularly following World War I, grew at exceptional rates that continued until the world depression began in 1929.

Prewar Japan thus emerges as a country that was making a successful start on the path of modernization. Politically it had sown the seeds of democracy, even though in theory the emperor was absolutely sovereign, many civil liberties were constrained, the impact of the suffrage was slight, and political parties offered limited choices and were often at least as corrupt as those of American big-city machines. The country was also growing economically, even though the benefits of that growth were often unevenly distributed and even though the zaibatsu exerted incredible influence. Socially, despite excessive peasant tenancy, a suppression of labor unions, second-class citizenship for women and a host of other trouble spots, the country could look with pride on the formal equality of most male citizens; its educational record; on the fact that political opponents might be jailed but were rarely executed; and on the fact that social mobility rested more on ability than on condition of birth.

The United States demanded Japan's unconditional surrender

as the basis for ending World War II. Once Japan agreed, the United States began a military occupation under General Douglas MacArthur that was aimed at virtually the total transformation of the country. The legacy of those years has profoundly shaped contemporary Japan.

The U.S. Occupation (1945–52)

Unlike the occupation of Germany, which was an Allied occupation involving Britain, France and the Soviet Union as well as the United States, that in Japan was almost exclusively an American affair. Growing out of a belief that Japan had gone to war not so much because of traditional conflicts of international relations but rather because of inherent features of Japan's society, economy and political system, America sought nothing less than the total restructuring of the country. Two principal targets were initially advanced: demilitarization and democratization. The first goal was rather easily accomplished. There was a complete demobilization of all of Japan's military personnel, both in the empire and in the four main islands at home. The military ministries were abolished, as were the military academies. War crime trials were held and some 186,000 political, economic and military leaders purged from their positions. Perhaps most importantly for the future, the famous Article 9 was inserted into Japan's new constitution. Under this article, the interpretation of which has since become the subject of great controversy, Japan renounced forever its right to go to war and pledged not to maintain military forces. In the words of MacArthur, Japan was to become the "Switzerland of the Far East."

Democratization proved a more elusive goal. A new constitution almost totally authored by Americans shifted political sovereignty from the emperor to the Japanese people. Political prisoners, mostly Socialists and Communists, were freed from jail. A cabinet and parliament, fashioned largely on the British model, were given real political powers. Suffrage was expanded to include all men and women over 20 years of age. Local autonomy was guaranteed and a host of civil liberties, more extensive than those guaranteed in the U.S. Constitution, were spelled out.

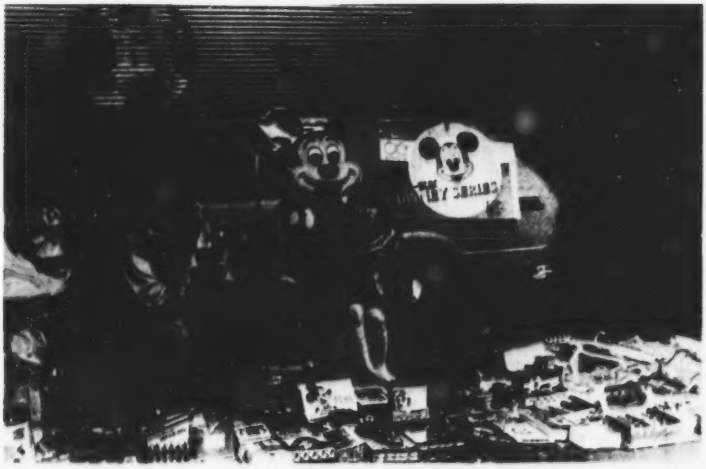

Photo by Sheila Phalon.

A sidewalk market caters to Disneymania.

On the social front, the old family system was restructured by providing equal rights to women and equal rights of inheritance to children. The peerage was ended as was official support for the Shinto religion. An extensive land reform that broke the back of the prewar landlord class was carried out. The entire educational system was restructured along American lines. Independent social organizations were vigorously encouraged. The most spectacular of these was organized labor: union membership shot up from virtually zero to nearly 5 million in a few years. Economically, the Americans sought initially to reduce Japan's industrial base to almost nothing and to break up the large prewar combines.

Although many of the reforms begun by the Americans in the first years of the occupation remained unchanged, many foundered with the outbreak of the cold war. America's initial strategic conception of Asia was based on an alliance between the United States and a pro-Western China under Chiang Kai-shek. With the Communist takeover of China in 1949, the outbreak of

the cold war in Europe, the enunciation of the Truman Doctrine of Soviet containment, the success of the Republican party in gaining control of the U.S. Congress and the widely different ideological climate that followed these developments, America's behavior in Japan went in most areas from explicit punishment of Japan's conservatives, and at least the tolerance of its left, to virtually the reverse. With the outbreak of the Korean War, Japan was ordered to establish a national police reserve as a paramilitary home defense force. The target of the purge shifted from prewar rightists to postwar leftists. Education boards were appointed rather than elected. Strikes by workers in state-owned industries were banned, pro-Communist unions were broken, and most others were drastically circumscribed in their behavior. Perhaps most importantly, the initial efforts to break up the large prewar financial groupings gave way to a policy aimed at getting the Japanese economy back on its feet, led by big business.

By the time the occupation ended in 1952, Japan was radically different from what it had been in 1935. The landlord class and the military had been effectively removed from political power. A far more democratic political system had been put into place. Japan was firmly integrated into America's international political and economic sphere of influence. Social rights had been widely expanded. Numerous changes were started that dramatically altered Japan's historical trajectory.

At the same time, it would not do to underestimate certain links to the past. Japan's national bureaucracy remained a major force in political decisionmaking. Numerous prewar leaders resumed their positions or gained new ones. Big business continued to drive the national economy. The left, while more powerful than before, was shunted into a peripheral role, in contrast to the important part it plays in other industrialized countries.

Quite possibly the major legacy of the U.S. occupation was that the changes it both made and failed to make provided the principal agenda for social, political and economic discussions in Japan, and about Japan, for a decade or more to come. Along with the Meiji Restoration, the occupation reshaped Japan in ways so fundamental as to be largely irreversible.

3

Japanese Society: The More Things Change. . .

Japanese society is a colorful kaleidoscope. As its pieces move, some slowly, some quickly, they continually reflect different images to the viewer. Just as one thinks a pattern is clear, the pieces shift again, often in a surprising direction. To capture all of the subtleties of Japanese society would be impossible, but some sense of both its structure and diversity can be grasped by considering five opposite tensions that prevail: change and continuity, similarities and differences, collectivity and hierarchy, consensus and conflict, and finally pluses and minuses.

Continuity and Change

Statistics tell a striking story of continuity and change in Japan. Over the last several decades Japanese society has undergone phenomenal change. When the war ended, roughly 50 percent of the nation lived and worked on farms. Today the figure is below 10 percent, while nearly 80 percent of today's Japanese live in cities. In 1945, the total population numbered 72 million; today the figure is 120 million. The average size of Japan's families has shrunk while the number of nuclear families has grown by more than one third. Life expectancy in the last 30

years has jumped approximately 15 years for males and slightly more for females. It is now among the highest in the world. Only 17 percent of the national population had more than the nine years of compulsory education in 1950; by 1980 the percentage had risen to over 50. More impressively, 95 percent of those completing junior high school now continue their education, and nearly 40 percent attend some type of college or university, a figure exceeded only in the United States. Japan's economy has expanded at historically unprecedented rates, and most indicators of social well-being, from income per capita to the numbers of telephones, television sets, magazines, newspapers and automobiles, have risen dramatically, catapulting Japan from a rank of perhaps 20th worldwide to second, third or fourth in most categories. Any Rip van Winkle who fell asleep in Japan in 1950 and awoke today would have a far greater shock than his Washington Irving counterpart in upstate New York.

At the same time, many elements of Japan are changing glacially, if at all. For example, with a population of 120 million, roughly half that of the United States, crowded into a landmass equal in size to the state of California, and with only 16 percent of that land suitable for habitation, Japan continues to be one of the most crowded countries in the world. Also striking is the tremendous homogeneity of Japan's population. Today the country has only 840,000 resident aliens, most of them the offspring of Korean or Chinese laborers brought into the country during World War II. The country also has a small outcaste population which traces its ancestry to the untouchability status associated with occupations such as leather work or animal slaughter, deemed "unclean" in the Buddhist tradition. Small numbers of aboriginal Ainu can still be found, mostly in the northernmost island of Hokkaido. But on ethnic grounds, Japan continues to remain one of the "purest" countries in the world.

At a less statistical level, the casual observer of Japan will often be struck by other images of continuity. It is not unusual to see carpenters or gardeners wearing clothing and using tools that would have been acceptable before the Meiji Restoration. Every year, as his ancestors have done for centuries, the emperor plants

the first seedlings of rice, visits the Ise shrine to honor his ancestors and greets his subjects at the New Year. With the exception of the added electronics gear, many Japanese fishing boats are vintage 1930s. Most of the nation's art, whether fine or martial, remains solidly embedded in ancient tradition. So does its drama. In a country that leads the world in the export of calculators, it is not uncommon to see shopkeepers tallying with an abacus.

If Japan is a nation that has undergone great change and yet retained many elements from its ancient past, it is also a nation marked by a striking mix of similarities and differences, defying easy stereotypes.

Similarities and Differences

With clear geographical borders, few resident aliens, few Japanese permanently resident abroad and a common language, there has never been a serious question of who the Japanese are. Nor, despite the presence of both Shinto and Buddhism, has religion been a divisive force as it was in Europe for much of the period following the Reformation. Rather, most Japanese families dutifully register with both a Shinto shrine and a Buddhist temple, allowing the former to handle happy occasions such as births and marriages, and the latter to handle sorrowful events such as funerals.

A long history of wet-rice agriculture that required cooperation among all villagers in collective irrigation, combined with a crowded land, small houses and thin walls, plus a Confucian tradition stressing order and natural laws, reinforced patterns of conformist behavior. More recently this homogeneity has been fostered by national newspapers, radio stations and television programs that provide a uniform, if frequently banal, diet of news and entertainment to all citizens equally.

Today, 90 percent of Japan's population identifies itself as middle class, and certainly there are far fewer economic gaps than in much of Western Europe and even the United States. In the words of one Japanese sociologist, Japanese society has become a "new middle mass."

The Westerner's image of a homogenous Japan is furthered whether one is watching a cluster of Japanese tourists dutifully following a flag-waving tour guide, a formulaic soap opera, uniformed schoolchildren, or the sudden rise and fall of various national fads. It would be a mistake to ignore this reality.

At the same time, behind the surface image of uniformity and conformity lies a society that defies the stereotype. Nowhere is this more clear than in a recent photo book entitled *A Day in the Life of Japan*. Over 100 of the world's foremost photojournalists shot over 135,000 pictures in Japan during a single day. Of these, 317 were selected for the book, and one cannot thumb through it without appreciating the tremendous diversity of daily life in that country. The photos chronicle a tableau of ages from tots in a nursery to septuagenarians at a hot springs resort. Occupations run from white-collar worker to female farmer, from military cadet to sushi slicer. One sees punk rockers and disco dancers who are little more than Oriental copies of their Liverpool or Los Angeles peers. The collection jars anyone expecting the predictable.

One can highlight numerous other contrasts. Hundreds of Japanese once lined up 24 hours in advance to pay $100 each for tickets to a Picasso exhibit. The country has one of the highest literacy rates in the world—almost 100 percent; *Yomiuri*, the largest-circulation newspaper, sells 9 million copies every morning; number two, *Asahi*, follows closely with 7.5 million. Newspaper circulation rates in Japan are the highest in the world. Journals, such as *Bungei Shunjū* or *Chūō Kōron*, possibly comparable to *The Atlantic* or *Commentary*, have vast circulations. Virtually every Japanese commuter reads while riding. Almost every department store in the country has an art gallery. There are symphonies galore and classical music coffee shops attract quiet listeners throughout the day and night. Such indications of a cultured society meld easily with our image of Japan past, but they founder on the competing images of violent comic books that outsell serious magazines three to one and are read more by adults than children. Similarly, the average Japanese housewife spends five hours per day watching television. Watch-

Old and Young Relax

Men peruse newspapers and racing forms in downtown Tokyo.

Schoolboys in Nara

Photos by Sheila Phalon.

ing baseball, horse racing or boat racing or playing pinball are far more popular leisure-time activities than participatory sports, reading, family outings or cultural activities, despite the importance of the latter for many individuals.

Japan is said to be a group-oriented society. School ties, social clubs and drinking together after work are all cited as examples. Yet, with the possible exception of volleyball in which Japan has done well in international competition, its most-striking athletic performances have generally been in individual events, such as long-distance running, gymnastics, judo or swimming, not team sports like soccer, crew, basketball or paired ice skating.

The Japanese are credited, and credit themselves, with a strong sense of aesthetics. Cited are such things as the delicate sensitivity shown in the small gardens behind their homes, the annual April pilgrimages to watch the cherry blossoms fall, or the readiness with which Japanese citizens hike up Mt. Fuji, visit trickling waterfalls, or pause to enjoy a fall sunset. Yet these same images contrast with the unaesthetic bedding left to air next to the garden, drunkenness under the cherry trees and the piles of litter that follow nearly every Japanese tour group up Mt. Fuji.

The point should be clear. While most Japanese conform to expected norms, and while many valid generalizations can be offered about most Japanese, there are important exceptions and countertendencies that should not be ignored in the effort to blot out differences and reach a generalized understanding. All the same, two principles do seem to dominate most social organizations: collectivity and hierarchy.

Collectivity and Hierarchy

The group, rather than the individual, takes precedence in Japan. Western religions stress the peculiar and unique relationship of the individual to a spiritual being. In contrast, Buddhism and Shinto stress social conformity. The admired American takes a stand against blind conformity in the service of his individualized vision of the good. In Japan, it is the one who accepts social responsibility and works through the group who is admired. If John Wayne or Rambo are America's heroes, in Japan it would

be the 47 *ronin*, a group of samurai who together avenged the death of their lord. A well-cited Japanese proverb sums up this collective orientation. "The nail that sticks up will be hammered down."

Following from this logic, the needs of the Japanese family traditionally take precedence over the wishes of individual members. So do those of the village over the individual families, or of a company over its employees and an association over its group members. Finally, the needs and goals of the nation take priority over those of its individual citizens.

The system though is one of mutual responsibilities within the collectivity. Thus, the individual gains numerous benefits by being part of the family, company or nation. Fulfillment comes not from "doing one's own thing" but from "finding one's place and accepting the responsibilities and benefits that go with it." One surrenders a bit of one's self to the group in the rightful expectation that the group will in turn provide benefits and supports that one could not achieve alone.

In certain respects this is true of all societies. But two symbolic examples may suggest the central difference in emphasis between West and East. In the United States when a child misbehaves he is traditionally sent to his room until he quiets down. In Japan, the misbehaving child is locked outside the house, symbolizing his isolation. Only after long pleading and promises of obedience is he allowed to return to the physical and emotional warmth inside.

A second incident is equally contrastive. In traditional Japanese villages, an individual or family that violates important group norms would be subject to *mura hachibu*, literally a cutting off from the village. All ties, from cooperation in the fields to sales in its stores to daily communication would cease. This pattern from the past has its modern counterpart. Several years ago a Japanese woman living in a modern suburban apartment complex was subjected to similar isolation from the other housewives in the complex. Her crime? Dressing far better than the others, buying a bicycle for her child while they could not do the same for theirs, and worst of all, flaunting the fact that her family could

afford a car by polishing it every week in front of everyone. The shunned woman took her problem to court, demanding that the ban be lifted as no more than a vestige of feudal times. The judge saw otherwise, admonishing her to work harder to gain the acceptance of her neighbors. One would be hard pressed to think of comparable Western examples of the importance of conformity to group norms.

At the same time that the collective takes precedence, the members of Japanese groups are almost never equal. Rather, group structure is strictly hierarchical. Every member knows his or her place. The hierarchical nature of Japanese society is most strikingly demonstrated in the language. Different levels of politeness are used depending on whether one is speaking to a senior, a junior or an equal. A mistaken level of speech embarrasses the speaker and, in the worst cases, the listener as well. On the other hand, subtle misuses of speech levels allow one to hurl insult after insult at one's desired target without one word of cursing or blasphemy.

This symbolic interrelationship of collectivity and hierarchy is found in many areas. In Japanese homes, the same bathwater is used by all, each individual washing and rinsing outside the tub before enjoying a leisurely soak (collectivity). But the father has the right to the first bath, his eldest son will follow, and so on down the line until the youngest daughter or the maid has her chance, by which time the water is just a bit tepid, slightly filmy and clearly less desirable (hierarchy).

A similar example shows the same pattern. In virtually every Japanese office one room houses all 10–20 members of a common work team. Individual offices are reserved only for the highest-ranking officials. The work team, or section, meets and chats regularly about common problems, eats lunch and tea together, and will perhaps finish the day with a bout of drinking over raw fish. Clearly its work is a collective enterprise. Yet the office is also hierarchical. The most junior member, typically a young "office lady," sits closest to the door to greet visitors, prepare tea and do photocopying for the others. Farthest from the door, and usually facing it, is the desk of the section head. All other

members are arranged along the walls in accordance with seniority. The new visitor to a Japanese office never has to ask who is in charge; it is perfectly clear to all.

Consensus and Conflict

Because the group is so central to behavior in Japan, a good deal of effort is given to reaching consensus, or agreement, among its members. The Japanese father may be the major authority, but most families discuss important decisions and points of view long before he announces what seems to be the family's consensus. The same is true of work groups: most spend a good deal of time discussing options. The Japanese style of business leadership, for example, contrasts sharply with that in the West. In North America and Europe, the boss who exercises leadership and issues directives is admired. In Japan, the boss is expected to listen to all opinions and allow consensus to bubble up from below. Proposals are typically circulated to those in middle management and above who might be affected by them, and each is expected to "sign off" by affixing his seal to the document or else appending a list of suggested changes.

Once such a group is unified, however, it is prepared for hardened combat with its opponents, should that occur. This is true whether one is speaking of well-trained baseball teams, tightly organized student radicals engaged in pitched battles with either the police or rival students, firms competing against one another for market shares, rivalries among government agencies or factional conflict within political parties. Undoubtedly most Japanese as individuals or as groups would prefer compromise to confrontation, but if and when conflict comes, the tightly organized Japanese group can be an awe-inspiring example of conflict, Japanese-style.

Ezra Vogel, a Harvard University sociologist, published a lively best-seller called *Japan as Number 1*. In it, he lauded Japan for many of its features and suggested various imitations by America. His work has been followed by many similarly favorable treatments of Japan and its society. No doubt there is much to be applauded, and many of the features noted above contribute

positively to the country and its people. But it would be well to note certain dark undersides to many of them as well.

Pluses and Minuses

Japan's mass education system has produced high levels of literacy, excellent engineers and technicians, and international test scores that would be the envy of school principals anywhere in the world. Yet students spend inordinate hours in class, often cramming in facts rather than mastering principles. One's job is usually determined by the school one attends, and the school system is marked by rigid and unforgiving exams that in the space of a few hours can determine a student's entire future. Even Japanese kindergartens use them. As a result, when a student is not in class, he or she is often attending a cram school (*juku*) in an effort to outperform others on the next entrance exam. Suicides by worried or unsuccessful test-takers are not uncommon. Conformity has its place, but certainly most Westerners would chafe under the kind of group pressure that prevails in Japan. Numerous examples have reached the West, through the sports magazines, of American baseball players who have joined Japanese teams only to find themselves frustrated by the far more team-centric practices and strategies as well as by the often authoritarian character of managers, who seem to delight in squeezing the individualistic Americans into group molds.

Japan's homogeneity also makes many of its people implicitly uneasy with anyone who is seen to be different. The treatment of resident Koreans and the outcaste community would strike most non-Japanese as a national disgrace. So would Japan's unwillingness to help Vietnamese "boat people" with anything more than cash and a send-off to sea. And to return to baseball, one American ballplayer, Randy Bass, was recently closing out the season only one home run short of the record held by retired national hero Oh Sadaharu. The American found himself walked four times on 16 pitches in his last game. Clearly someone felt that Japanese baseball records should be held by Japanese (a curious irony since Oh is of Taiwanese parentage).

As noted above, Japan's newspapers and journals are pervasive

All photos by Sheila Phalon.

Morning exercises at Panasonic

Cram school starts at kindergarten level.

After a long day, 'salary men' stop for a drink on the way home.

and typically good to excellent in their coverage. Yet the mass circulation newspapers all avoided investigating allegations that former Prime Minister Tanaka Kakuei had taken large bribes from Lockheed, the U.S. aircraft company. Only after the issue was pressed by a Western journalist did they finally join in. And more recently it was revealed that a Japanese television news crew, trying to do a story about teen violence, hired members of a motorcycle gang to beat up several teenage girls while the cameras ground away for the entertainment of evening news viewers.

One or two other examples deserve mention. Japanese work habits are the envy of many Western employers. And indeed employees put in longer hours, take fewer vacations and generally show greater loyalty than many of their Western counterparts. But there is a definite negative side to this behavior that is reflected in absentee fathers who rarely see their children except on the occasional Sunday outing, and the poor health of many mid-level executives.

Finally, as just part of the picture of a harmonious society, a word should be said about Japan's enviably low crime rates. Homicides are about six times less likely in Japan than in the United States; rapes are nearly 15 times less likely; robberies, a phenomenal 100 times less likely. Gun control is rigid, and firearms are rarely used in crimes. One statistic indicates that of 80,000 crimes recorded in Tokyo, only 20 involved guns. Drugs are also rigidly controlled, and many a foreigner who has entered the country with his normal "stash" of marijuana has wound up in prison and/or banned for life from Japan, as ex-Beatle Paul McCartney and many others can attest.

Two elements blur even this idyllic portrait of a crime-free environment. First, Japan does have organized crime; its members are called *yakuza*. With close ties to certain right-wing politicians and to many businessmen, the gangs are left rather free to control loansharking, prostitution, gambling and a host of other illegal activities.

A second element that must be considered when admiring the low crime rate is the lower attention given in Japan to protecting privacy and civil liberties. While the police are rarely as officious

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as their prewar predecessors, they are often more cavalier about individual privacy than many Westerners would prefer. Meanwhile the strongly ingrained sense of social responsibility in most Japanese often slips over the line into nosiness. When the police found the hideout of a gang of 20 Red Army terrorists a decade ago, they did so because a neighbor reported to the neighborhood police officer that there was an unduly large amount of garbage being generated by what was supposed to be a home for two people. The police quickly investigated and caught the group. While the result was certainly positive, it gives a sense of the detailed attention given to even the slightest social oddities by the Japanese police.

Another example might suffice. Within two days of moving into a Tokyo suburb, a Westerner invited a Japanese friend to dinner. Because Japanese addresses are complex and usually useless in finding one's desired location, the Westerner offered, as is typically done, to draw his guest a map to enable him to find the house. The Japanese demurred, saying he would easily find the house. At the appointed time the guest rang the bell, and the Westerner inquired how he had found the home so easily. "Simple," was the reply, "I just asked where you lived at the police box." "But the police don't know where I live," protested the host. "Of course they do," replied the guest. To the Japanese, the solution was obvious; to the Westerner, a bit disconcerting.

How is one to assess Japanese society from this complex matrix of changes and continuities, pluses and minuses? Without a doubt there is much to be admired and perhaps even emulated. Certainly it seems important to stress that for the majority of Japanese citizens, Japan is a satisfying and comforting place to live. Any Westerner fortunate enough to visit the country, particularly for a sustained period of time, will undoubtedly sense that satisfaction. Yet, at the same time, he or she will almost certainly find many elements of it difficult, confusing or mildly amusing. But if the outside observer is sufficiently sensitive, he or she will come to realize that the Japanese members of that society, logically enough, often operate with different values and expectations than he or she has brought to bear. To go beyond the

anecdotal and the idiosyncratic and to see the complex intermeshing of pluses and minuses, successes and failures, similarities and differences is at the heart of understanding a society in its fullest. Japan's society has proven to be one of the world's most challenging and worthwhile to study. It has also proven by its history to be one of the most solidly accepted by its citizens.

4

Politics: Creative Conservatism

Japan is a political democracy. Its political leaders come to power and leave office in response to the free electoral choices of its citizens. Leadership transitions are peaceful. Political parties are free to promise the most controversial or banal things they wish. Citizens are free to read, hear or offer from a soap box any manner of political views, from anarchism, socialism and communism to emperor worship, militarization, pluralism or aristocracy. Newspapers, books and magazines representing these and other viewpoints are printed and circulated without censorship. Citizens can petition, protest and sue for grievances against political officials. In these and other respects, Japan is similar to the United States, Canada and most of the countries of Western Europe. It is also unlike the remaining approximately 80 percent of the countries of the world which function differently. Japan's political democracy certainly had prewar roots but these roots flourished primarily during and after the American occupation.

Although Japan is unquestionably a democracy, it is politically unlike other democracies in at least two important and related respects. First, the country has had a period of nearly

40 years of uninterrupted conservative rule. Second, it has never had a government that was even partially indebted for its electoral success to organized labor. Before attempting to explore these related differences, it is helpful to understand how Japan's political institutions function.

Political Institutions

The supreme law of Japan is its 1947 Constitution, largely imposed on the country by the Americans but since then accepted by most Japanese. The Constitution, which has never been amended, spells out the structure of government, elaborates the rights and duties of Japan's citizens, invests the people with sovereignty and makes the emperor the symbol of the nation's unity. Finally, as noted above, it renounces Japan's right to go to war or maintain war potential. Japan has a two-house parliament or Diet which is constitutionally the "highest organ of state power." The House of Representatives (lower house), the more powerful of the two, consists of 511 members chosen by voters in 130 electoral districts for four-year terms. The House of Councillors, the upper house, has 252 members who serve for six years. One hundred of these are chosen from a national constituency, 50 every three years. The remaining members are chosen through a system of proportional representation, also with overlapping three-year terms. Thus, like U.S. senators, councillors serve overlapping terms. The Diet chooses the prime minister. If the two houses cannot agree, the lower house selects the prime minister. Meanwhile, the lower house can be dissolved by the prime minister should he choose to call a national election before the four-year term is up.

The powers of Japan's parliament are extensive on paper. In addition to choosing the prime minister, the parliament passes laws, raises taxes and can hold hearings on most subjects. When in session, it is clearly the focal point of national public debate, getting widespread television and newspaper coverage. In fact, because party discipline is strict and the executive branch tends to dominate the political agenda, the actual powers of parliament are not as great as they might appear. In this, however, it is not

unlike most European parliaments, although it is quite different from the American Congress.

The cabinet is headed by the prime minister, who selects his own cabinet members, typically 20 or so, almost exclusively from among the lower-house members. Only civilians can serve in the cabinet, a constitutional provision introduced by the Americans to prevent the kind of military influence that had existed in the prewar period. The cabinet takes collective responsibility for its decisions, but individual cabinet members often resign when there are major failures in their specific areas of responsibility. Transportation ministers resign following an air crash; construction ministers, if a bridge collapses. The cabinet must also resign in the face of a no-confidence vote in parliament, but there has been only one of these since the 1950s. The cabinet submits about 75 percent of all the legislation that passes through parliament, and the actual success rate of cabinet legislation has hovered around 90 percent.

Cabinet members and prime ministers have changed rapidly in Japan. Because of the need to reward his party supporters, the prime minister typically is constrained to replace or rotate his ministers on an almost annual basis. As a result, a small core of top politicians rotates into and out of different offices, making them true masters of administration, while many others briefly hold one or two posts and never gain real policy expertise.

Prime ministers of late have usually held a series of positions both in their political party and in the cabinet prior to becoming the chief executive, so that they are well-trained for the top post when they achieve it. The prime minister has always been the head of the largest party in parliament. Consequently since 1955 the president of the Liberal Democractic party has become prime minister. The term of office of LDP president is two years, and lately there has been a two-term limit. Because the LDP is made up of several factions, each favoring different candidates for the party presidency (and other high party and cabinet offices), the post of prime minister since 1955 has typically gone to the victor of battles within the LDP rather than between the LDP and other parties.

Prime Ministers Ikeda and Sato Eisaku served for four and eight years respectively (1960–64, 1964–72). But from 1972 until Prime Minister Nakasone Yasuhiro took over in 1982, Japan had a series of five prime ministers who served only two years or less. As of this writing, Nakasone has served for almost four years. Despite turnover at the top levels, there is a stable and influential bureaucracy that has contributed to long-term governmental planning and continuity.

Japan's civil service is small by international standards but highly talented and immensely effective politically. Unlike the United States, where presidential appointments reach several layers deep into each government agency, in Japan each agency typically has only two political appointees, the minister and his parliamentary vice minister. This fact, plus their rapid rotation, leaves a great deal of autonomy to the national bureaucracy, very much in keeping with Japan's prewar patterns. Civil servants are chosen by strict examinations held once a year, and competition for the top posts is intense, with an average of 50 candidates for each opening. The top 8,000-10,000 bureaucrats, all of whom have passed the Class A examination used to identify the bureaucracy's "high flyers," are disproportionately graduates of Tokyo University (35 percent of those who passed the exam in 1976, for example), plus a half dozen other schools. Civil servants retire early, typically around age 55, after which most enjoy lucrative careers in banks, businesses, public corporations or politics.

Japan has an elaborate court system, capped by the 15-member Supreme Court whose members typically sit from their first selection until retirement at age 70. Despite extensive formal powers, including the right to declare laws unconstitutional, with very few exceptions the Supreme Court has not been a major political force. Legal suits are far less common in Japan than in the United States, and the relatively weak position of the courts reflects this orientation.

Finally, Japan has an extensive system of municipal and prefectural governments headed by mayors or governors and legislated over by assemblies. Almost continual tension exists between Tokyo and these local or municipal governments, partic-

ularly when the latter feel that Tokyo is shortchanging them on financial assistance, or when they are under the control of nonconservative politicians, as happened frequently in the early to mid-1970s.

What can one say about how the system actually functions, rather than how it is structured? Three points can be made. First, Japan's national government is strong, with day-to-day powers more concentrated in the executive branch and the national bureaucracy than in the parliament, the courts or local institutions. This is a legacy of Japan's late development and its prewar heritage, but it also stems from the actions of the American occupation which strengthened these prewar tendencies in the effort to make rapid and radical top-down changes.

Second, the government has been activist. There has been a long tradition of social engineering by the government since the Meiji era, and in areas as diverse as economic planning, construction, pollution control and preparing for the 1964 Olympics, Japan's government has taken a willing and active role. In this sense, Japan is influenced by a political philosophy of state activism different from that of the United States or Britain, which have traditionally advocated "keeping the government off the people's backs."

Finally, the machinery of government has been remarkably cohesive, despite periodic outbreaks of violence in the parliament, vicious interministerial battles, political corruption, foreign pressures, succession crises and all manner of political turmoil. This has been so largely because the country has been ruled by conservatives for so long, without serious challenge.

Political Parties and Elections

Prewar Japan left its heritage on the political parties that emerged in the early years of the occupation. The major prewar conservative parties reorganized and recombined to form the Liberal and Democratic parties. The Communist party, which had been illegal and underground, surfaced legally although its fortunes were limited. More importantly, the Japan Socialist party provided a consolidated single party attracting the support

of much of organized labor. Several smaller parties surfaced, combined with others and/or sank in the years right after the war.

The central issues of political conflict from the end of the war until well into the 1960s reflected a classic confrontation between right and left or, in Japanese terms, conservative and progressive. The conservative camp, with close ties to big business, the national bureaucracy and rural farmers, pressed for holding down urban consumption and for macroeconomic recovery, strong defense ties to the United States, constitutional revisions to provide a stronger place for the emperor in Japan's political system, a tighter national police force, and revisions of the educational system aimed at putting more emphasis on the development of morality and ethics among Japanese youth. The left, or progressive camp, with the bulk of its support coming from unionized workers, pressed for economic redistribution, closer ties to Japan's Asian neighbors, China and the Soviet Union (often formulated as the demand for "positive neutrality"), an end to Japan's National Self-Defense Forces and the abolition of U.S. bases in Japan. The left also favored the election of school boards, an educational system designed to show Japan's youth the horrors that had been visited on the country by its prewar leaders and, most importantly, preservation of the MacArthur "peace" Constitution.

The left enjoyed a very brief period of coalition government, including a Socialist prime minister, in 1947-48, but the brevity of its rule and its minority status in parliament left it unable to implement any significant portion of its political program. Moreover, the American occupation forces were the "real" government, so that this interim leftist government was rather insignificant. From the time it resigned until today, Japan has been governed by conservatives. The principal figure leading the conservatives in the early years was a crusty former diplomat, Yoshida Shigeru, who governed from 1948 until 1954. In 1955 there was a merger of the divided wings of the socialist camp to form the Japan Socialist party (JSP), followed by a similar fusion of conservatives to create the Liberal Democratic party (LDP).

These two have been the major vote getters in Japan ever since.

The political divisions between left and right in Japan were played out with vigor and hostility for some 20 years after the war. The confrontations took place in the parliament, in the streets and in the media. The single most dramatic instance of conflict between the two camps came in May-June 1960 when the conservatives sought to have parliament ratify a new security treaty with the United States. Committee debates were heated; student and union demonstrators ringed the parliament denouncing the treaty as a return to prewar militarism; intellectuals and interest groups lined up vigorously on both sides of the issue. When the conservatives used a dubious parliamentary maneuver to pass the treaty just before midnight on the last day the Diet could act, Japan exploded into a month-long series of street demonstrations, one consequence of which was to force the cancellation of President Dwight D. Eisenhower's planned trip to Japan. During 1968-69 university takeovers and protests and hostilities between left and right reached a comparable pitch.

The late 1960s and 1970s saw a softening of the hard edges of progressive-conservative conflict. Part of this was due to the deliberate efforts of conservative Prime Minister Ikeda, who sought to focus on economic growth and downplay any political issue containing too much ideological vinegar. Part was undoubtedly due to the economic recovery the country had begun to enjoy as well as to the cold-war thaw. A good deal of it was due also to the rise of several political parties that sought to stake out positions in between the LDP and JSP and to offer the electorate choices not provided by the others. In 1960, the right wing of the JSP, with its electoral base in Dōmei, the more moderate of Japan's labor federations, split off to form the Democratic Socialist party (DSP). The political arm of Soka Gakkai, a new Buddhist religious movement, entered national politics as the Clean Government party (CGP) in 1965. The Japan Communist party (JCP) began to enjoy a second life starting in the mid-1960s.

To complete the picture, a small segment of the LDP left the party in 1976 to form the New Liberal Club (NLC). A few

insignificant other parties have come and mostly gone. From its formation in 1955 until 1979, the LDP continued to drop gradually but unmistakably in electoral support in national elections. It also began to lose many of its local and prefectural political bases. Yet, while various combinations from the opposition gained control of prefectural governorships and local assemblies, the LDP clung to power nationally and was never forced to surrender so much as one cabinet seat to a member of an opposition party until the 1983 government, which gave one seat to the New Liberal Club. It did this in the face of the widespread social changes noted in Chapter 2; despite popularity and support ratings for the party that were often below 40 percent and rarely went above 50 percent; despite approval ratings for certain LDP prime ministers that sank as low as 25-28 percent; despite massive problems with the environment, low levels of social welfare, and several political scandals that reached into the prime minister's office. Indeed, in the 1979 House of Representatives election, the LDP actually reversed its trend of popular vote decline and increased its share by three percentage points. It did even better in 1980, and while there was again some slippage in the 1983 election, the party by the mid-1980s seemed as impregnable as at any time in its history. How was it able to do this?

Sources of LDP Strength

Certainly serendipity and luck have helped the LDP's fortunes. For example, just prior to the 1980 election, Prime Minister Ōhira Masayoshi died, and the outpouring of sympathy led to one of the largest voter turnouts in postwar Japanese history and to a massive LDP victory. But political gifts such as this are difficult to count on, and there is surely more to LDP success than luck.

Four things stand out as helpful in understanding why the LDP has fared so well. First, the electoral system favors the party. Japan's rural areas are vastly overrepresented in parliament. In 1983, certain candidates in urban areas were defeated despite having received as many as five times more votes than winners in sparsely populated rural districts. The Supreme Court

ruled that this was unconstitutional but refused to overturn the election results. The LDP and the opposition parties began struggling to come up with electoral modifications that will satisfy the court, but will surely not base these on a formula of "one person, one vote."

A second feature to consider has been the incompetence of the opposition parties. Although the Japan Communist party makes it a practice to run at least one candidate in each electoral district, none of the other parties has even run enough candidates to secure a majority in the Lower House. The JSP has been particularly inept. With its roots solidly in the more radical of Japan's trade union federations, the party has found it difficult to articulate policies calculated to appeal to the broad mass of citizens that now makes up Japan. Indeed, in the early 1960s it explicitly rejected the kind of revisionism that was taking place in European Socialist or Communist parties with favorable election results. While the party has sought to invigorate itself in the 1980s and drop some of its Marxist rhetoric, including its promise of a "dictatorship of the proletariat" once it comes to power, it has continually faced resistance from its more radical membership. It is currently struggling with another modernization campaign, but its narrow organizational base and poor tactics help to explain why it has not received so much as one third of the seats in the Lower House since 1958 and why it now hovers just over the 20 percent mark. The result has been that organized labor has been frozen out of the cabinet since 1948.

Some of the centrist parties have sought to offer viable alternatives to the two major parties, but they all have narrow membership bases, although a few have made serious inroads among the urban "middle-mass" voters. The Democratic Socialist party, as noted, is essentially a right-wing, pro-union mirror of the left-wing, pro-union JSP. Lately it has sought to be more conservative than the LDP on many issues in hopes of being invited into a coalition, should the LDP need its help. Beyond a few votes in parliament, the LDP has not. The Clean Government party has never escaped the taint of its fundamentalist religious roots, nor the fact that it has been rather authoritarian in dealing with its

critics. The Japan Communist party was on the upswing in the mid-1970s, largely as a result of its local strength, but it has since petered out and it too is mired below the 10 percent level. The New Liberal Club, with youthful leaders and a refreshing image, was also something of a flash in the pan, offering what many took to be a "conservative alternative." But it rarely offered substantial policy proposals and has dropped off electorally since its high-point in the 1976 election. Nonetheless, it was brought into the LDP government in 1983, and another fusion with the LDP is not out of the question. In the words of America's infamous Plunkett of Tammany Hall, "You can't beat somebody with nobody." And, for the most part, the LDP over much of its history has been facing opposition that has been close to nobody.

A third feature that has helped the LDP is the very smooth policymaking and electoral machine it has put together. By providing a rough ideological structure within which political choices have been made, the party has been able to rely heavily on the national bureaucracy for the detailed development and implementation of legislation. Meanwhile, by carrying out policies designed to aid Japan's big business, the party has easily been able to extract campaign contributions far in excess of the money raised by any of its opponents. Moreover, by careful cultivation of local-level politicians and individual electoral districts through traditional pork-barrel legislation in the form of roads, schools, bridges, museums, social centers and the like, it has kept large numbers, especially its rural voters, deeply in the party's debt while simultaneously developing a new cadre of national electoral leaders. Former Prime Minister Tanaka was the grand master of this pork-barrel approach, and following his indictment for bribery he continued to receive even greater numbers of votes from his grateful Niigata constituents than before. His factional support from LDP members in parliament was at least double that of any other conservative leader.

All of the above reasons have a taint of cynicism about them. It is therefore important to give serious treatment to what is probably the most important reason for the LDP's ability to remain in power. It has carried out some very successful policies

Photo by Sheila Phalon.

Keeping up with the news in a garden in downtown Tokyo.

which have met or anticipated public demands. As will be explored in greater detail in the next chapter, the party has been at least partially responsible for the national economic success enjoyed since the outbreak of the Korean War in 1950. It has kept farmers happy through an extensive, if economically inefficient, system of price supports. This has greatly softened the costs of agricultural adjustment to the highly industrialized society that Japan is today. The alliance with the United States has provided the country with a relatively inexpensive and secure defense system. During the 1970s, the LDP government carried out dramatic policy changes in environmental pollution, higher education and social welfare, most of which were widely popular, particularly with Japan's rapidly expanding urban population. It also brought the country successfully through two oil shocks, a radical revision of the world monetary system, the opening of relations with China and a host of other problems.

In carrying out these policies, the party is generally willing to adopt ideas that originate with the opposition parties or at the local level. But it quickly makes new ideas its own, thereby

covering itself with glory, while freezing out of the limelight the idea's originator.

The easiest prediction is always "more of the same." Yet it is truly difficult to imagine any major transformations in Japanese politics in the next decade or so that are the result of strictly political forces. Japan will undoubtedly face many serious challenges that could make radical change more probable. But few of them are likely to come from developments within Japan.

Certainly, few of the demographic changes now taking place in Japan seem likely to pose serious threats to contemporary patterns. The rapid rise in the proportion of Japanese over 65 has gained a good deal of public attention as a potential problem, particularly in terms of the financial burdens that will be placed on the national government. But any real economic crisis is at least two or more decades away, and in the meantime the government has been taking steps to provide a financially stable social insurance system. Larger numbers of older voters are not likely to threaten the political system since most tend to vote conservative, and if there is an impact on the employment system, it will probably be in the form of opening up more jobs for younger workers and making it easier to shift to higher technology and automated processes of production.

Women's consciousness in Japan has not taken on the collective and often antisystemic character that it has in the West; in fact, it is really difficult to speak meaningfully of a women's movement in Japan. Far more women are entering the work force than two or three decades ago, but this too is having the effect of supporting rather than challenging the system. Most women work only in part-time and lower-paying jobs, which has been good for employers; only a few have begun to move into top positions in government, finance or business. Nor have women been voting in ways that suggest any threat to the system.

The move away from labor-intensive manufacturing industries has weakened organized labor in Japan, and more and more blue-collar workers are voting their pocketbooks and supporting the LDP.

Urbanization was once felt by many to be a threat to conserva-

tive dominance, but particularly since 1976 the LDP has actually been doing better than most other parties in the larger urban areas. At worst, urbanization will have mixed effects on the LDP.

In short, many of the major sociodemographic changes that are occurring in Japan seem unlikely to have important destabilizing effects on the current balance of political power or the present patterns of public policy.

Possible External Developments

The country seems far more vulnerable to external developments. To begin with one that is rarely talked about but that does not seem totally ridiculous: A coup in Saudi Arabia that led to a radical fundamentalist regime anxious to cut off oil to the West would have a major impact on Japan, which now imports over 25 percent of its oil from the Saudis. Japan was able to pay more for its oil in 1973 and to withstand a major cutback in oil following the Iranian revolution. Oil is now more in glut than in shortage, but the prospect of dramatic cutbacks could certainly provide a serious challenge to the current political system.

Consider also a second possibility, namely a serious outbreak of tensions between North and South Korea, or the domestic political destabilization of South Korea as a result of opposition to the current military regime. Japan has held that the security of South Korea is vital to its own; Japanese business investments in South Korea are just over $1.5 billion; South Korea is a major recipient of Japanese foreign aid. Instability in South Korea could easily touch off widespread and disruptive political debate in Japan concerning whether or not to intervene, and whether such intervention should be political, economic or even military in nature. Such extensive debate and certainly Japanese involvement would almost surely result in a serious alteration of present political arrangements.

There is a third major possibility that could shake up contemporary Japanese politics—namely a trade war or the outbreak of rampant protectionism. Government agencies and the LDP have all operated on the assumption of a relatively free trade system.

Japan has benefited enormously from such a system, economically and politically. But it seems increasingly clear that many politicians, business leaders and unionists, particularly in the United States, are no longer willing to see their jobs and businesses lost to a robot in Nagoya. The conservative regime is currently being forced to deal with this problem, and the tensions within the governing coalition are manifest. Japan's rural population is fearful of far less-costly American imports, particularly if rice imports should ever be liberalized. Many small businesses in Japan fear competition from massive American and European chain stores. A number of Japan's banks and financial houses are not anxious to welcome foreign competition into their often surprisingly inefficient bailiwicks. The same can be said of industries like timber, pharmaceuticals, aluminum, furniture and a host of others.

So far the government has been trying to cover itself on two fronts. First, it has tried to improve relations with its trading partners by a mix of voluntary export restrictions, by promoting Japanese investment abroad and through efforts to encourage foreign businesses to invest directly in Japan. Second, it has tried to slow down the liberalization of trade and investment, particularly in politically sensitive areas such as those noted. But holding all conservatives together over the next decade or so will not be easy in the face of this challenge. Voting patterns have favored the LDP, but some of the smaller parties in the middle now provide attractive political alternatives to many erstwhile LDP voters. However, a coalition between the LDP and one or more of these parties is far more likely than the LDP's replacement by an opposition coalition. So far the LDP has done a masterful job of juggling competing demands within the party, but the pressures of trade liberalization versus protection will present a major challenge to that ability. The party now has wings that support each of the poles; whether they can continue to be held together under the common umbrella called the LDP will perhaps be the central political question facing Japan in the next several years.

5

Japan's Economy: The Flexible Colossus

Japan interests the modern Westerner for many reasons, but none is more tantalizing today than economics. Journalists and academics, all sensing a growth market, have rushed to print with explanations for Japan's economic miracle, offering suggestions as to how these keys can be incorporated into one's own business. The bookshelves sag under the weight, physical if not intellectual, of these new manuals on Japanese management, the ingredients of Japanese success and how to meet the challenge. Even a medieval musing on samurai swordsmanship has been profitably reissued as containing the principles governing today's Japanese businesses.

While much of the world is awed by Japan's performance, another important part of it is terribly frustrated and angry. Many West European, but more especially American, business leaders, politicians and unionists find themselves struggling to meet or fend off the impact of Japanese competitiveness so as to protect their businesses, political futures or jobs. From the perspective of many of them, Japan's economic success has come at their expense. With the U.S. merchandise trade deficit with

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Japan in 1985 at about $50 billion and Western Europe's trade deficit with Japan at $10 billion, Japan's major trading partners are fighting mad and determined to put a halt to what they see as a one-way economic relationship.

Within Japan, most citizens are flattered and bemused at the new attention of journalists and academics. Indeed, many of the

manuals sold to Americans in English sell even better in their Japanese translations. Vogel's *Japan as Number 1*, for example, sold some 90,000 copies in the United States but nearly 600,000 in Japan. Yet the Japanese are largely annoyed and distressed by the attitudes of those who attack their economic success. To most Japanese, the complaints are based on misinformation, misunderstanding or downright stupidity. In its most simplistic form, their response treats the criticisms as sour grapes, begrudging Japan the fruits of national hard work and perspicacity. It is easy indeed to find Japanese whose views on how to settle the contemporary economic problems are very simple: "make better products, sell at lower prices, learn Japanese and invest here, beat us in our own backyards and anywhere else you can. But beat us on economic grounds, not through political protectionism."

Because economic and trade problems are so central to international relations in the mid-1980s, it is important to go back, past the rhetoric of today's headline or press statement, and examine the basis for Japan's economic success. It is even more central to understand the many changes that have taken place in aspects of policies that once made very important contributions to Japan's economic growth at home and abroad, so as to not allow the present to be unduly overshadowed by images from the past.

The Sources of Past Success

The devastation faced by Japan in August 1945 has been well chronicled. All of Japan's major cities except Kyoto had been subject to heavy bombing. Industrial capacity was down to levels below those of the 1920s. Inflation was running wild. Food was in short supply. Once-well-to-do families sold priceless family heirlooms for small bags of rice. Near-starvation, disease, prostitution, black markets, garbage picking and aimless wandering through the streets were an inevitable part of daily life for large numbers. This changed rapidly by 1948 and with even greater acceleration after the Korean War. Just how this was accomplished is a complex and intriguing story and one for which many claim credit.

Japan's material economic assets are limited. The country

could be considered a museum of natural materials—one or two pieces of everything, but not much more. Japan must import 95-100 percent of its oil, iron ore, copper, tin, aluminum and nickel. It imports 80 percent or more of most other raw materials, including coal, natural gas and lead. In order to gain the foreign exchange to pay for these essential imports, Japan must export. This fact is perhaps the most important starting point in understanding Japan's economy.

A second important consideration is the dual nature of Japan's economy. Many Westerners associate Japan with the names of its major manufacturing or commercial establishments—Mitsui, Mitsubishi, Sumitomo, Toyota, Matsushita, Nippon Steel, Hitachi, Sony, Canon and the like. Japan is certainly a country in which such firms play a major role. But undergirding the entire economy is its vast number of small- and medium-sized industries. Large firms in Japanese manufacturing, for example, account for nearly 50 percent of Japan's GNP but employ only 25 percent of the nation's total work force. Three quarters of the Japanese work force continues to work in small- and medium-sized industries. This compares with about 50 percent in West Germany, 43 percent in the United States and 30 percent in Britain.

A third important consideration concerning Japanese economics is that, in contrast to the philosophy of laissez-faire that historically has prevailed in countries like Britain and the United States, in Japan, since the Meiji Restoration, government has taken an active and aggressive role in shaping the economy. And while certain business corporations have occasionally chafed at what they viewed as needless interference in their business matters by government bureaucrats, business has generally welcomed the government's activist economic role. Certainly this acceptance has been helped by the fact that the government was invariably conservative and pro-business. The central point to be recognized is that while the logic of classical economics dictated that Japan's comparative advantage lay in light industry, the government refused to accept such logic, which would have kept Japan in a permanently inferior international economic position.

Instead, the Ministry of Finance (MOF) and the Ministry of International Trade and Industry (MITI) combined in a series of aggressive efforts to stimulate Japan's heavy and chemical industries and bring Japan back into and at the front of the economic mainstream of the world. Thus, one of the first claimants to credit for Japan's success is the government. Although government policies have been less important to Japan's economic success since the 1970s, they were critical in the first two decades or so after the war.

From the late 1940s through the 1960s, the government carried out a number of policy measures designed to restructure Japanese industry and to foster economic growth. These actions took many forms, but four main elements stand out as critical.

First, the government set into motion a series of sequential multiyear plans designed to reshape the industrial structure. Largely under the direction of MITI, certain industries seen as key to Japan's overall growth were targeted for assistance and development. Initially these were basic industries such as energy, chemicals, steel, machine tools and the like. As these achieved success, others, such as plastics, automobiles and electronics, were helped. Sales in the domestic market were always the starting point for these industries, but the long-term goal was to make each of them internationally competitive and export-oriented.

A number of policy measures were undertaken by the government to carry out these changes, including administrative guidance (a polite term for bureaucratic jawing at industries reluctant to comply), multiyear industrial policies and economic plans that included specific industry-by-industry production and sales targets, the international search for, and purchase of, advanced technologies, selective allocation of foreign-exchange credits, technological licensing, research and development funding, and a host of other measures.

The Ministry of Finance did its share as well. Selective use of credits by the Bank of Japan, the national bank under MOF control, made low-cost capital available to targeted industries on a regular basis. Moreover, by keeping the foreign-exchange rate fixed at 360 yen to the dollar, currency stability was assured.

Because the yen eventually became undervalued, this rate also provided an implicit subsidization of Japanese exports and a partial barrier to imports (at the expense of the Japanese consumer).

Still a third set of government measures must be noted, namely what the government did not do. It was not compelled, as were most other industrialized countries, to provide major social welfare benefits to its citizenry. Until the early 1970s, very little government attention was given to matters of social security, aid to higher education, tuition aid, unemployment insurance, low-cost health care, family allowances, public housing and the like. With a weak political left, the Japanese government was far freer than its North American and West European counterparts to play down the need for such benefits as it continued its relentless pursuit of macro-level economic growth.

Finally, a fourth and equally critical form of government help must be noted, namely protectionism. Under the 1949 Foreign Exchange and Control Law the government had extensive powers to insulate the Japanese market from foreign products. Tariffs, quotas and investment restrictions all played a part in allowing Japanese industry to grow in the hothouse of the archipelago without having to face what at the time were typically much more efficient Western, and especially American, competitors. Whereas American firms moved quickly into the European markets both as traders and investors in the years following World War II, most found this either unappealing or almost impossible or impractical to do in Japan. There were a few exceptions: companies such as IBM and Coca-Cola invested in Japan early and with great success. But into the early 1970s, the Japanese government served as the effective doorman determining what could come into and what could go out of Japan and under what conditions. It used this power to the great benefit of Japanese industry.

Government played its part. So too did the private sector. Although the government targeted specific industries for restructuring and assistance, it never followed a policy of creating a single national champion in any industry. Rather, Japanese

industry, especially in the targeted industries, has always been marked by a great deal of company-to-company competition. In product areas such as steel, autos, nylon, aluminum, polyester and others, no firm has more than a 40 percent market share. The sales concentration ratio of the top 100 firms in Japan is about 25 percent; in Germany it is 45 percent; in the United States it is 40 percent. Bankruptcy rates in Japan are about two times higher than those in the United States. In short, despite undeniable government help, Japan remains very much a market-oriented and market-driven economy. Producing a high-quality product at a low price and providing good maintenance are all vital to being a business success in Japan.

Giants and Pygmies

In many respects, this has been a competition among giants, however. Most of Japan's large firms are part of what are referred to as *keiretsu*, large industrial groupings typically centered around a major bank and uniting firms in different business areas, such as chemicals, electronics, insurance, autos, steel, mining and the like. Many, such as Mitsui, Sumitomo and Mitsubishi, are heirs to the old zaibatsu. These groups are positioned to share information, buy and sell on mutually favorable terms, plan coordinated strategies and help one another through difficult periods. At other times they buy and sell outside the keiretsu, and often borrow outside the major bank. The tightness or weakness of the bonds among them is typically inversely proportional to the strength or weakness of the specific firm.

Giants, too, are Japan's unique trading companies, the nine largest of which handle nearly 70 percent of all imports into Japan and 45 percent of all exports, as well as about 20 percent of Japan's domestic economic transactions. These international giants have offices and communications networks worldwide, which allow them to buy and sell products in vast quantities at low margins of profit. With an extensive array of expertise they also handle much more than trade, including export-import financing and transportation, joint-venture organization, third-

party trade, overseas construction and turnkey plant sales, among others.

In their competition with one another, the giants are aided by the pygmies, Japan's small firms. Most of these small operations are linked to the larger firms through sales contracts, parts supply and subcontracting arrangements. Alternatively many of them serve as sales outlets for the products and services of the giants. Typically paying their workers far less than the large firms, and highly dependent on the giants for their own survival, these numerous small firms provide an important ingredient in Japan's economic success. They are expected to supply high-quality parts "just in time" for the parent company or to sell the parent's products expeditiously. If they do not, alternative firms can be found who will. They and their workers bear much of the brunt of economic downturns, and provide a low-cost and flexible extension of the larger firms.

Additionally, at the level of the mass public, two important contributions to Japan's successful economy must be noted. First of all, Japanese businesses benefited tremendously from an ample supply of young labor. As Japan's agriculture was modernized, and as the economic promise of the cities beckoned, large numbers of rural Japanese youth streamed toward Tokyo, Osaka, Yokohama, Nagoya, Fukuoka and other manufacturing hubs. Their good educations, diligence and large numbers gave Japanese business an ample and low-cost pool of talented workers from which to draw.

Some credit must also be given to the Japanese citizen. As is widely reported, Japanese personal savings rates are among the highest in the world, currently about 17-18 percent, typically three or four times higher than those in other industrialized countries, which range from 4-5 percent in the United States to around 12 percent in West Germany. Because Japanese saved through banks and the postal savings system (even though interest rates for these savers were kept artificially low by the government), the government had at its disposal a large pool of capital which it could make available to industry at low cost. The general public also made one additional contribution worth noting: a

willingness to tolerate the entire set of premises on which the national economic architecture rested. Particularly until the 1970s there was little public outcry about pollution or the low level of social services. Long working hours for relatively low pay were tolerated as the cost of economic recovery. Foreign consumer goods might be appealing in the abstract but there was little public clamor for a reduction of import restrictions to make them more widely and cheaply available.

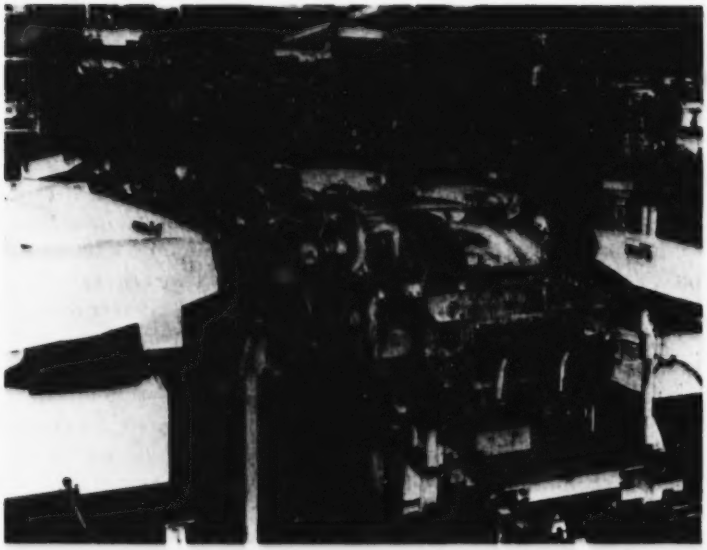
Finally, it is important not to overlook the contribution made to Japan's success by its major ally, the United States. America's ideological and strategic interests dictated that Japan be governed by pro-American forces and that the two countries remain closely linked. Thus, from the middle of the occupation, American political leaders were anxious to put the Japanese economy back on a sound pro-capitalist footing. Japan benefited from U.S. help in joining the General Agreement on Tariffs and Trade (GATT), the World Bank and the International Monetary Fund (IMF). It also received U.S. help in the form of monetary reform and a willingness to tolerate the reconsolidation of the prewar zaibatsu, even if in importantly different form. Japan also had low-cost access to American technology. The United States at the end of the war never dreamed that Japan's economy would reach anything like its present strength. The historical record shows many Americans, from Secretary of State John Foster Dulles on down, telling the Japanese that they should never hope to gain access to America's markets, for Japan could never produce anything that would interest American consumers. To the extent that Japan could, America's markets were mostly open and occasionally beckoning. Moreover, over the next two decades or so, America provided numerous forms of assistance to Japan: the United States was Japan's sponsor in the UN, GATT and the IMF; it traded critical technology on favorable terms; it was willing to tolerate the protectionist barriers behind which Japanese industry had begun to develop. For the Americans, with the largest economy in the world, the strategic benefits of Japan's friendship were seen to be worth a modicum of economic tolerance.

The New Economic Machine

Certain elements that contributed to Japan's past success remain in place today. MITI continues to target industries, including high-speed computers, biotechnology and fibre optics, although it has fewer legal powers than in the past. The keiretsu, trading companies, dual structure and high savings rates all remain relatively similar to what they were a decade or two ago. Japan must still import and export to survive. But far more things have changed. Since 1971, at least, the United States has no longer been as willing to surrender its economic interests to strategic considerations. Japan, partly in response to, partly as a result of, its economic successes, has dismantled most of the protectionist apparatus of the past. Import quotas and tariffs have been reduced to the point where they are the lowest in the industrialized world. The old Foreign Exchange and Control Law was drastically amended in 1980. The yen has been allowed to float freely and is occasionally even driven up in value by the Bank of Japan to spur imports. A number of social welfare measures begun in the 1970s are beginning to make Japan look more like the West. Japanese firms are now free to move abroad while foreign firms can invest in Japan. Capital markets have been liberalized. Several foreign firms trade as equals on the Tokyo stock exchange. Local government officials from Sapporo to southern Kyushu compete vigorously to attract American and West European plants to their regions.

Has all of this change been missed by the Westerner with his strong memories of the past? Undoubtedly the Japanese market is more open to competition from abroad than it ever was, and probably more open than most other markets are today. Yet the openness of Japan is only a small part of the total picture, even though it is the one to which most Japanese quickly point.

Two other central features must also be kept in mind. First of all, Japan's economic success, particularly its success in overseas trade and marketing, is no longer solely an economic matter. Most statistics on the trade imbalance between Japan and the United States agree that no more than $3-6 billion of the $50 billion gap is actually attributable to nontariff barriers or Japa-



Courtesy of Japan Information Center

Robots at work in automotive industry.

nese protectionism. Alternatively stated, if a totally free market were magically created, there would still be a $44-47 billion trade gap. But that very magnitude constitutes a serious political problem in America. It will not be erased in the short term by Japanese investment in the United States, U.S. investment or sales in Japan, a revalued yen, or even the sale of Alaskan oil to Japan. All of these are important measures that would help to make Japan's economic miracle more tolerable to the West. But they will not change the trade deficit figures overnight.

The second feature that must be addressed is that no matter how free and open Japan's market may be today, and how much Japan may now be prepared for free trade, Japanese products and businesses are benefiting greatly from the successes of past protectionism. Having penetrated foreign markets with high quality goods, Japanese businesses are able to capitalize on their

new and strong market positions. Foreign consumers like Japanese products; much of Japan's foreign competition has been blunted, if not annihilated; Japanese firms know how to do business abroad and have made good banking, sales and other connections. Conversely, when it comes to foreign firms doing business in Japan, the reverse is typically true. Japanese firms are well entrenched, consumer tastes are set, business loyalties are in place, and so on. New foreign firms must try to break into these tightly woven patterns. Simply having an economic advantage today is not quite enough. What really counted was that foreign firms in the 1950s and 1960s either failed to press, or were denied the right to exploit, their incredible economic advantages when these were the greatest.

Japan has become a formidable competitor economically, having created a tremendously effective machinery for its goods and services. It continues to move quickly up the technological ladder and into new, more knowledge-intensive industries, leaving behind the less internationally efficient industries of the past. This machinery is by no means invulnerable to attack, as is clear from the protectionist attacks launched on Japan from overseas. The country must also look over its shoulder at countries like South Korea, Taiwan, Brazil and Singapore, all of whom have followed economic development strategies not unlike Japan's and are preparing to use Japan as a market, just as Japan earlier used the United States and Europe. Thus, the continuation of Japan's economic success may well rest much more heavily on how the rest of the world views Japan's success than on how well the economy is internally structured. Without doubt its internal structure is awe inspiring, but it remains highly vulnerable to political pressures from abroad. It is essential that Japan's political and economic leaders recognize this fact, for if they focus only on the abstract merits of free competition, under which Japan could do well, they could easily unleash a spate of protectionism that would undercut all the internal strengths they have labored so long and so well to construct.

6

Japan in the World: Searching for a Role

The debate over what Japan is doing in the world, and what it should be doing in the world, is animated on both sides of the Pacific. Many American congressmen cite the fact that Japan spends less than 1 percent of its GNP for its military, in contrast to the 3-7 percent spent by the United States and most European countries, as evidence that Japan is getting a free ride on defense. Joined on occasion by strategic thinkers in the United States and Japan, they call for increased military expenditures and a vague, undefined but "more active" role by Japan in contributing to its, and the Western world's, defense.

Conversely, political leaders in China and many Southeast Asian countries are quick to remind the world of the horrors visited on their people by the Japanese military during World War II. Thus they castigate every increase in Japan's military spending, plus every right-wing parade or pro-defense statement made by any Japanese leader as indicative of a revival of Japanese militarism.

Public opinion polls in Japan show that between two thirds and three quarters of the citizenry feel that Japan should never

rearm (despite the actual rearmament that has occurred). An even greater proportion hold that Japan should never acquire nuclear weapons. And even conservative and generally pro-defense politicians such as Prime Minister Nakasone never fail to remind the world that Japan was the only nation to suffer direct nuclear attack, and as a result has a special mission thrust upon it to work for the peaceful resolution of international disputes.

Japan does have a military force, currently authorized at 250,000 personnel. The 1 percent of GNP figure so widely cited would in fact be closer to 2 percent if calculated by standard North Atlantic Treaty Organization (NATO) procedures. Still, by most comparative measures, such as per capita expenditure or proportion of government spending, military expenses are low. In absolute terms, however, Japan has the eighth largest military budget in the world, and in recent years military spending has been rising faster than other budget categories. Japan's military has a high proportion of officers and hence can easily be expanded if there is a political desire to do so. Its equipment is sophisticated, and most people would consider it one of the mightiest nonnuclear military forces in the world.

Behind all of the rhetorical name calling and finger pointing, it is clear that postwar Japanese foreign policy arises out of Japanese politics at home. That is, it is pro-Western and economically based. In this sense Japan can be said to have relearned two lessons from its historical past. First, territorial acquisition does not pay. Second, it is still critical for Japan to have at least one loyal ally, even though it seeks goodwill with all. The first point was a very clear outcome of World War II, and since then Japan has concentrated on becoming a major economic power in the world without reliance on territorial expansion and military prowess. (Many would argue that West Germany has learned a similar lesson and has followed a similar course in the postwar era.)

The origins of the second point go further back, probably to the Triple Intervention after the Sino-Japanese War, and were reinforced by the benefits that accrued to Japan from its 20-year alliance with Britain, and the disasters that befell its far weaker

Reuters/Bettmann

Ambassador Mike Mansfield with Prime Minister Nakasone.

ties with Germany and Italy. Thus, throughout the postwar period, Japan has been one of America's staunchest allies on almost all international matters. Into the early 1970s, for example, Japan voted with the United States on 95 percent of all the questions taken up in the UN. Japan was the last major industrialized nation to continue to support the U.S. effort to block the entry of China into the UN as well. The 1952 and the 1960 Japan-U.S. security treaties bind the countries together on defense matters. The United States has some 45,000 military personnel stationed in Japan, and several bases, such as Okinawa, Yokosuka, Sasebo and Misawa, are important outposts in America's defense perimeter. And the United States is Japan's largest export market, while the United States sells more of its goods to Japan than to any other country except Canada. U.S. Ambassador to Japan Mike Mansfield has said on many occasions that the relationship between Japan and the United States "is the most important bilateral relationship in the world, bar none."

The Primacy of Economics

When the war ended, there was little impetus within Japan for anything like an activist, aggressive policy. Although it is often assumed that Article 9 of the Constitution was forced on Japan, in fact there was little sentiment even within conservative quarters for Japan to build up its military forces. Most preferred to concentrate the nation's resources on economic recovery. The opposition parties were ready to pounce on anything that smacked of a revival of the prewar right, and public opinion was also strongly pacifist. Domestic politics dictated caution.

As a partial condition for ending the U.S. occupation, Japan agreed to enter into a security treaty arrangement with the United States that in fact kept most of the American troops and 1,400 U.S. military installations in the country. The revised U.S.-Japan security treaty in 1960 removed some of the more onerous stigmas of dependence felt by Japan under the original security arrangements. The United States has kept pressure on Japan to increase its military spending and role, a pressure welcomed by many in Japan's defense establishment. Slow military buildup by Japan's Self-Defense Forces peaked in 1967 when the 250,000 figure was set. Despite popular protests against U.S. troops and visits by nuclear-armed vessels, opposition to the expansion of U.S. bases, and (until it was returned in 1972) demands for the reunification of Okinawa with Japan, the military arrangements with the United States for the most part have been favorably assessed by most Japanese leaders. Most of Japan's opposition parties support the treaty arrangement in one form or another.

U.S. military cooperation and assistance left Japan free to pursue economic measures as its principal vehicle for international influence. Trade abroad was a logical extension of Japan's economic rebuilding at home. With the United States as its sponsor in international forums, such as GATT, the IMF and the UN, Japan by the late 1950s was once again establishing itself as an accepted member of the international community. Slowly, Japan began to carve out trade niches throughout the world. The United States became Japan's primary market, a fact that was actively welcomed by America for strategic reasons.

Between 1952 and 1963, Japan also negotiated reparations and loans to Burma, the Philippines, Indonesia and South Vietnam, all of which eventually led to the development of much closer economic relations between them and Japan. Longstanding economic ties to South Korea and Taiwan also afforded Japan access to growing markets. Japan's foreign-aid policies followed its commercial interests, and until the 1970s virtually all Japanese aid went to Southeast Asia. By the late 1960s, Japan had established itself as the most important economic power in Asia. It also had a very strong cross-Pacific link to the United States. Some 37 percent of Japan's exports went to the United States in 1970, while 31 percent went to Asia.

Economic interests in most other areas of the world were slower to develop. Two areas posed particular problems, however. These were China and the Soviet Union. Japan's longstanding ties with China left mixed memories, but generally Japan was far more interested in trading with China during the 1950s and 1960s than was the United States, which continued to operate under strict Coordinating Committee (COCOM) restrictions. (COCOM consists of representatives of all the NATO countries except Iceland, plus Japan, and was established to prevent strategic goods from reaching Communist countries.) Yet Japan's links to China were complicated by its simultaneous desire to maintain close ties to Taiwan. From 1952 on, Japan sent private trade missions to Beijing. In 1962, under Prime Minister Ikeda's policy of separating politics from economics, a trade memorandum was signed by Liao Cheng-chih of China and Takasaki Tatsunosuke of Japan which provided the basis for bilateral "L-T trade." Until Japan eventually recognized the government in Beijing in 1972, dummy Japanese corporations did a thriving business in China, allowing the main branch of the company to fly its flag in Taiwan. In this way Japan was able to have the best of both worlds. (Incidentally, once Japan recognized Beijing, the situation was reversed and today it is largely the dummy corporations that continue business in Taiwan.)

Relations with the Soviet Union were another matter. Territorial conflicts had divided the two since the turn of the century.

Japan had been trying to negotiate its way out of World War II using the good offices of the Soviet Union (with whom Japan had signed a nonaggression pact), not knowing that the Yalta agreement had pledged the Soviet Union to attack Japan as soon as it felt it could do so. The Soviet Union had resisted Japan's membership in the UN. Fishing rights between the two countries were also problematic. And, from Japan's viewpoint, the Soviet Union had unjustly seized four Japanese islands in the Kurile chain off northern Hokkaido following the war. A 1956 agreement ended the state of war between the two countries, but the Soviets refused to return the four islands. Japanese conservatives in turn were divided over whether or not to take the two that the Soviets offered and renounce their claims to the others, as the Soviets demanded. The balance of opinion in Japan shifted to reject the Soviet offer, in part because the United States threatened to refuse to return Okinawa if Japan moderated its claim to all four. As a result relations between Japan and the Soviet Union have rarely been more than minimally civil. Periodically the two sides discuss the possibility of improving trade and of developing natural resources in Siberia, but trade has rarely risen above 2 percent of total exports for either country.

A word must be said about the character of Japan's trade, for then, as now, it has been a problem that has generated strongly negative reactions among many of Japan's trading partners. Essentially, Japan imports very few finished manufactured products and exports almost nothing else. Its imports are heavily skewed toward raw materials and foodstuffs, while over 90 percent of its exports are finished manufactured products. In this regard, Japan is unique among industrialized countries. Trade in Europe, for example, typically involves sales of Swedish Saabs and Volvos in France and Germany, and the return import of Renaults and BMWs into Sweden. With its rigid barriers against the import of manufactured goods able to compete with domestically manufactured products, Japan achieved trade successes that were doubly suspicious. Japan was free to sell its manufactured goods everywhere in the world; other manufacturers were shut out of Japan. Thus, the Japanese marketplace was typically

viewed as a hothouse, even though an intensely competitive one, within which Japanese manufacturing industries were free to grow, unchallenged by foreign competition. Once a particular industry had developed sufficient strength to compete internationally, it could move its products abroad without having to worry about surrendering its home market to foreign manufacturers.

The strategy worked well for the first 25 years after the war, and indeed it continues to be a partial success. Japan was able to argue successfully that as a poor island country devoid of raw materials it had to follow such a strategy to remain economically viable. When Japan in fact was poor, its trading partners accepted this logic. By 1970 or so, when Japan had closed the GNP gap with virtually all of Western Europe, the argument no longer carried the same weight.

The smooth-running quality of Japan's foreign economic policies was brought starkly into question by a series of external shocks that struck Japan between 1971 and 1973. The first of these were the so-called Nixon shocks. Angered over what he felt was the duplicity of Japanese Prime Minister Sato in failing to hold down Japanese textile exports to the United States, President Richard M. Nixon in a few short months dealt a stunning series of blows to Japan. The United States ended the Bretton Woods monetary system; Nixon announced he was reversing more than 20 years of U.S. policy toward China and would visit Beijing; and the United States later placed an embargo on soybean exports—all of which had a serious impact on Japan. The message was clear: U.S. strategic interests would no longer be weighted so heavily as to allow Japan to pursue its economic interests unrestrained.

As this message was painfully sinking in, still another was delivered, this time from the Middle East in the form of a quadrupling of oil prices by OPEC and restrictions on oil deliveries. Because Japan imports virtually all of its oil, and about 85 percent at that time came from the Gulf region, business leaders, politicians and housewives all scrambled frantically to ward off the worst results. Leading politicians, such as LDP vice president Miki Takeo and MITI minister Nakasone, rushed off

to the Middle East with gigantic Arab aid packages designed to unlock the cap on the oil spigot. In addition, Japan, in response to Arab demands, adopted an openly anti-Israel position. This marked the first open break with U.S. diplomacy since 1945. Just as had the Nixon shocks two years earlier, the oil shock also drove home to Japan the fact that its days of trading freely with no political costs were at a close.

Japan Since the Shocks

In the aftermath of these stunning blows to certain fundamental premises of Japan's foreign policy, what is striking is how little things have changed. Japan did not reverse its reliance on its two major principles in foreign relations. It continued to maintain close ties with the United States, and it did not begin military expansion in an effort to bolster its position internationally. Japan continued to put America and economics first, even though many of its tactics for doing so shifted. Four elements of change stand out.

First of all, Japan moved from being a straight trader to becoming an investor. Japanese direct foreign investment had been severely limited into the 1970s: in the period 1951–71 it averaged only about $220 million annually, with just over 200 separate ventures per year. In 1972, these figures rose to $2.3 billion and 1,774 ventures. Direct investment continued to climb as Japanese firms sought to get into established and new markets and thereby bypass restrictive tariff or quota policies. They were also able to take advantage of a stronger yen, as well as new government programs encouraging foreign direct investment. By 1985, Japan had some 34,000 overseas investment ventures representing some $71 billion. Of this, about one third was in the United States, represented by such major manufacturing ventures as Nissan's auto plant in Smyrna, Tennessee, and Honda's plant in Marysville, Ohio; huge office complexes for trading firms in New York City and Atlanta; semiconductor plants in San Diego; crabbing operations in Alaska; and sushi shops in Dallas.

Japan has been slower to invest in Western Europe, but major manufacturers have sought to set up direct operations so as to

avoid the European Economic Community's tariff and quota barriers against Japanese imports. Japan has been quick to invest in Australia, Latin America, the Middle East and Africa. Some of these ventures are in extractive industries, but the majority are in manufacturing and chemicals. Interestingly, while Japan is the number one exporter to China and China's second largest market behind Hong Kong, Japanese firms have not invested in substantial ventures in the People's Republic of China.

Direct investment as a strategy has allowed Japanese companies to retain access to many of their old markets. At the same time, because such investment brings with it new infusions of capital and jobs to the host country, it serves to defuse some of the hostility to Japanese economic policies.

In addition, as noted in the previous chapter, Japan during the late 1960s and increasingly in the 1970s and early 1980s made a series of moves to liberalize conditions for trade and investment within Japan. Capital markets, too, have been opened. A number of West European and American firms have taken advantage of this new liberalization. Some $3 billion has been invested by U.S. firms alone, and companies from Motorola, Texas Instruments and MacDonald's to Schick, Campbell's and Xerox are all firmly ensconced in the fabric of the Japanese economy. Still, U.S. investment in Japan is only about one seventh that of Japanese investment in the United States. Moreover, in regard to trade, as is widely reported, since 1976 the imbalance has continued to grow geometrically in favor of Japan and shows few signs of abating by itself.

U.S.-Japan Trade Gap Widens

Trade with the United States has soared. Between 1973 and 1984 U.S. imports from Japan grew six times in dollar value. The United States today buys eight times more merchandise from Japan than does Japan's second largest export market, South Korea. U.S. sales in Japan have tripled during the same period, and Japan is America's largest market outside of Canada. Yet U.S. gains in the Japanese market have been nowhere near as rapid as those of Japan in the United States.

A number of factors contribute to this widening trade gap. Chief among them have been the enormous U.S. budget deficit and high U.S. interest rates, which tend to overvalue the dollar and impede U.S. exporters. In addition, there have been phenomenal gains in labor productivity in Japanese manufacturing due to improved managerial practices, labor sensitivity to quality and the expanded use of robotics. (A mid-size Japanese car can thus be manufactured and delivered to the United States at a cost of $1,500-2,000 less than its American counterpart.) Japan produces far more engineers per capita than do American universities, and they go predominantly into civilian production. Civilian research and development expenditures as a percent of GNP in Japan are much higher than they are in the United States. Japanese managers are freer than their American counterparts from the pressures of the quarterly balance statement as a measure of business success. Today there are some 100,000 Japanese business people in the United States, most of whom can function effectively in English. Only 8,000 American business people are in Japan, and their linguistic skills can only be guessed at. All of these things contribute to the bilateral trade gap. Not to be ignored, however, is the importance of inertia; as noted in the previous chapter, Japan secured enormous advantages from having been able to keep its markets relatively closed until the last 10 or 15 years, from developing high-quality products and overseas markets, and from establishing tight links within Japan among suppliers, distributors and consumers that will not easily be unraveled by current competitors.

A third feature of change in Japan's foreign policy is its broader geographical horizons. A fourth, which is intimately linked to this, should also be noted, namely Japan's articulation of a policy of "comprehensive security." To take the latter first, Prime Minister Ōhira in 1978 began to talk of Japan's need to conceive of "security" in terms that went beyond simple military defense. He spoke of the need to use Japan's economic prowess, its foreign aid, its cultural diplomacy and its technological sophistication, as well as its military forces, to ensure Japan's stability, not just from foreign attack but also from cutoff of food

or energy supplies and from cultural and economic isolation. There was unquestionably an air of vagueness and unspecificity in the concept, but it has served to give some slightly greater internationalism to Japan's foreign policy, and also ironically to provide a basis for somewhat more active diplomatic and strategically based actions.

On the question of geographical broadening, one can cite trade and direct investment figures to show a growing Japanese interest in areas such as the Middle East, Africa, Latin America and even Europe. These regions have by no means replaced the United States and Asia in Japan's priorities, but Japan's international interests have been considerably enlarged.

In keeping with its expanding geographical horizons, Japanese aid policies have shifted, too. As noted, virtually all of Japan's aid once went to Southeast Asia. Today the goals have been modified somewhat to send about 30 percent to Africa, the Middle East and Latin America (10 percent to each). In addition, Japan's foreign aid has jumped considerably over the last decade. As a share of GNP, Japan's unrestricted aid remains below that of many European countries, but it has been climbing steadily. In absolute terms, Japanese assistance is second only to the United States. In keeping with pressures to become more political and less commercial in the use of its aid, Japan has been providing assistance to countries such as Egypt, Pakistan and Turkey despite the relatively low level of Japanese economic dealings with these countries.

Finally, several strategic and military measures have been taken by Japan that indicate its willingness to move beyond being a purely economic force in the world. Japan was active in the condemnation of the Soviet invasion of Afghanistan; it boycotted the 1980 Olympics; it has sought to mediate in the Iran-Iraq war; it has provided a $4 billion aid package to South Korea that is a thinly disguised form of military assistance. Furthermore, in its relations with the United States, it has signed an agreement to share military technology that marks a sharp break with its pacifist past, legitimating for the first time the export of military-related technologies. Furthermore, Japanese military forces have

moved toward greater operational cooperation with their U.S. counterparts, and the two countries have formulated concrete joint emergency plans for the first time.

Such measures hardly signal dramatic deviations from policies of the past. Yet they are indicative of tentative efforts by Japanese leaders to carve out a somewhat more activist international role for their country. It is hardly likely that economics and America will lose their places of primacy in Japan's foreign policy; it is possible that certain other features of Japanese policy will gain greater acceptance. It is certainly improbable that the changes will by themselves defuse current economic tensions over trade gaps, nor are they likely to satisfy either American military critics or East and Southeast Asian politicians. But they have gained a general acceptability at home, which is inevitably the starting point for everything Japan does abroad.

Talking It Over

A Note for Students and Discussion Groups

This issue of the HEADLINE SERIES, like its predecessors, is published for every serious reader, specialized or not, who takes an interest in the subject. Many of our readers will be in classrooms, seminars or community discussion groups. Particularly with them in mind, we present below some discussion questions—suggested as a starting point only—and references for further reading.

Discussion Questions

When Japan began its industrialization in 1868, what advantages did it have from its past that differentiated it from other late industrializers? What major hurdles did it have to overcome? What lessons, if any, do you think could be learned by Third World countries from Japan's experience?

At the turn of the century, Japan began a quest for empire that ended in 1945. To what extent was this quest legitimate? What impact did the quest for empire have on domestic politics and economics? Is Japan likely to follow the same course in the future? Why or why not?

What were the principal effects of the U.S. occupation on Japan? If with hindsight you could change one thing done during that period, what would it be? Why?

The author treats Japanese society as a fusion of polarities. Which poles seem most, and least, important in understanding Japan in the middle 1980s? Which aspects of change seem most likely to leave a permanent impact on the country? Which are less significant?

Japanese society is said to be group-oriented and consensual. What examples would you give to show this? What counter-examples might be offered?

How would you explain the persistence of conservative rule in Japan? How have the conservatives benefited from the electoral system? Given the fact that the United States frequently criticizes other countries that do not adhere to "one-person, one-vote" standards, why has it been so blind to Japanese gerrymandering?

What have been the major consequences of labor's exclusion from political power in Japan? Has this been good or bad for the country? In which ways? To whose benefit?

Do the 1980s seem to have become an era in which progressive-conservative hostilities in domestic Japanese politics have been played out? Where then are future political tensions likely to arise?

How would you assess the different factors that have contributed to Japan's economic growth? Have these been different over time? What are the main differences between Japanese economic policy in 1955 and 1986? To what extent have these changes benefited Japan? Japan's trade partners? Who has paid the major costs for Japan's economic success? Why?

Japan is proposing to shift from a manufacturing base to a knowledge-intensive, high-technology base for its future. What adjustments will be necessary for it to make this transition? Should the United States and Western Europe cooperate or attempt to impede this move?

Japanese politics seem to have been dominated by domestic issues in the 1950s and 1960s and by international issues ever since. Why? With what results? What aspects of Japan's domestic politics provide the major bulwarks for its foreign policies?

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Does Japan's policy of direct foreign investment mitigate economic conflicts with the United States or exacerbate them? How and why? Is Japan doing enough for the Third World with its foreign aid policies? What, if anything, should be changed?

What is meant by comprehensive security? Should other countries adopt a similar concept?

How would you set about resolving the trade gap between Japan and the United States? Is it important to resolve? Why or why not? With the United States taking eight times more Japanese exports than Japan's number two trading partner, does the United States have the muscle to threaten to close parts of its markets unless Japan does something to reduce the trade imbalance? Even if it could, should it? How can the United States best roll back the advantages of past Japanese policies without creating serious domestic tensions that might be counterproductive in terms of America's strategic interest in friendship and alliance with Japan?

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